

# PROSPECTS FOR AMERICAN WORKERS: IMMIGRATION'S IMPACT

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## HEARING BEFORE THE SUBCOMMITTEE ON IMMIGRATION, BORDER SECURITY, AND CLAIMS OF THE COMMITTEE ON THE JUDICIARY HOUSE OF REPRESENTATIVES ONE HUNDRED EIGHTH CONGRESS SECOND SESSION

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## PROSPECTS FOR AMERICAN WORKERS: IMMIGRATION'S IMPACT

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THURSDAY, OCTOBER 30, 2003

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON IMMIGRATION,  
BORDER SECURITY, AND CLAIMS,  
COMMITTEE ON THE JUDICIARY,  
*Washington, DC.*

The Subcommittee met, pursuant to notice, at 11:15 a.m., in Room 2141, Rayburn House Office Building, Hon. John N. Hostettler (Chair of the Subcommittee) presiding.

Mr. HOSTETTLER. Good morning. It is a tribute to the characteristics of the American economy that we have handled so well the historic number of immigrants that have arrived in America since implementation of the Immigration Act of 1965 and since the unraveling of the Southern border. The number of immigrants in America has increased from less than ten million and less than 5 percent of the population in 1970 to more than 33 million and more than 11 percent of the population today.

But have we absorbed this great influx without a cost? Is the average blue collar American worker better off than he or she would have been had we chosen another immigration policy three-and-a-half decades ago? And will such a worker be better off in the future?

These are the questions that we will ask at today's hearing and they are important questions, because as Americans, we can and do choose our immigration policy. We can choose to admit more or fewer legal immigrants. We can favor one category of immigrant over another. And we can choose whether or not to seriously enforce our immigration laws as they are today.

Under our existing and freely chosen immigration policy, newly arrived immigrant workers are more than four times as likely as native workers to lack a high school education. Economic theory predicts that this will have a deleterious effect on low-skilled American workers. It will lower their wages and increase overall economic inequality in America.

I think it is indisputable that the economic history of the past three decades has been disconcerting. Wages for low-skilled Americans have stagnated, if not actually decreased, and the wage differential between low-skilled and high-skilled workers has doubled. But can the blame be laid on immigration policy?

For many years, economic studies—excuse me—economic studies that compared the wages of American workers living in high immigration areas with those living in areas with few immigrants could

not find substantial differences. Thus, it was assumed immigration must have no effect on the standard of living of American workers.

But then an economist said, wait a minute. If high numbers of immigrants in a community had a substantial negative effect on the wages of Americans living nearby, those Americans might vote with their feet and move to other communities where their prospects were better. By doing so, they would spread the adverse economic impact of immigration throughout the country in a way you couldn't tell by comparing American workers living in different communities.

Relying on this insight, economists have come up with alternate methods of measuring the negative impact of current immigration policy on American workers. George Borjas has estimated that 44 percent of the widening wage gap between high school dropouts and high school graduates since 1979 can be attributed to immigration levels. He also estimates that the immigrant influx since 1980 has decreased the wages of the average native worker by 3.2 percent, and the average native worker without a high school degree by 8.9 percent.

Steve Camarota, who will testify today, estimates that the current immigration policy has resulted in the reduction of the average wage of a native worker in a low-skilled occupation by 12 percent, or by over \$1,916 a year.

Case studies are also telling. A few decades ago, meat packing jobs were some of the highest paying blue collar jobs around. I think we can all remember Sylvester Stallone working in a Philadelphia meat packing plant as he trained to take on Apollo Creed. But today, meat packing jobs are not only low paying, but according to testimony before this Subcommittee in the 106th Congress, they are also some of the most dangerous jobs in America. Not coincidentally, this has been accompanied by a large inflow of immigrant workers. Another example is the disappearance over the last few decades of high-paying union janitorial jobs in big cities.

As the U.S. Commission on Immigration Reform, chaired by the late Barbara Jordan, found, quote, "Immigration of unskilled immigrants comes at a cost to unskilled U.S. workers." End quote.

As the Hudson Institute has concluded, quote, "U.S. immigration policy serves primarily to increase the number of U.S. residents who lack even a high school degree. America must stop recruiting workers for jobs that do not exist or exist only at the lowest wages." End quote.

If we want to improve the lot of blue collar workers and their families, immigration policy seems one place to start.

At this time, the chair recognizes any other Members of the Committee that may have an opening statement.

[No response.]

Mr. HOSTETTLER. If not, we have a panel of witnesses before us that the Subcommittee welcomes. At this time, I would like to introduce the members of the panel.

Dr. Steven Camarota is Director of Research at the Center for Immigration Studies in Washington, DC. He holds a Ph.D. from the University of Virginia in public policy analysis and a master's degree in political science from the University of Pennsylvania.

Dr. Camarota has testified before Congress and published widely on the effects of immigration on the United States. His articles have appeared in both academic journals and the popular press, including *Social Science Quarterly*, the *Public Interest*, the *Washington Post*, the *Chicago Tribune*, and *National Review*. His most recent work, published by the Center for Immigration Studies, is *The Open Door: How Militant Islamic Terrorists Entered and Remained in the United States from 1993 to 2001*.

Other recent publications include *The New Ellis Island: Examining Non-Traditional Areas of Immigrant Settlement in the 1990's*; *Immigration from Mexico: Assessing the Impact on the United States*; *The Slowing Progress of Immigrants: An Examination of Income, Home Ownership, and Citizenship from 1970 to 2000*; *Without Coverage: Immigration's Impact on the Size and Growth of the Population Lacking Health Insurance*; and *Reconsidering Immigrant Entrepreneurship: An Examination of Self-Employment Among Natives and the Foreign Born*.

Vernon Briggs, Jr., is professor of labor economics at the New York State School of Labor and Industrial Relations at Cornell University. He received his B.S. degree in economics from the University of Maryland and his master's and Ph.D. degrees in economics from Michigan State University. Before coming to Cornell in 1978, he taught at the University of Texas at Austin for 14 years.

Professor Briggs specializes in the area of human resource economics and public policy. The subject of immigration policy and its effects on American workers has been a frequent subject of his research. In addition to numerous articles on the topic, he has authored books, including: *Chicanos and Rural Poverty*; *The Chicano Worker*; *Immigration Policy and the American Labor Force*; *The Internationalization of the U.S. Economy: Its Labor Market Implications*; *The Population and Labor Force of New York from 1990 to 2050*; *Labor Economics: Theory, Institutions, and Public Policy*; *Mass Immigration and the National Interest*; *Immigration and the U.S. Labor Market*; *Public Policy Gone Awry in Immigration and American Unionism*.

Professor Briggs has served on the editorial boards of the *Journal of Human Resources*, the *Industrial and Labor Relations Review*, the *Texas Business Review*, the *Journal of Economic Issues*, and *People and Place*.

Terry Anderson has lived in the same neighborhood in South Central Los Angeles for 50 years. He has run a business in Los Angeles since 1970. Mr. Anderson has been an immigration reform activist since 1993 and testified before this Subcommittee in 1999.

For the past 3 years, he has hosted "The Terry Anderson Show," the only radio show in the country devoted to immigration reform. The show is the top-rated show on KRLA in Los Angeles on weekends and the number one show for its time slot. The show is now broadcast in eight cities, with stations being added monthly, and he says, "Our call-in lines are full from the show's start to its finish."

Daniel Griswold is Associate Director of the Cato Institute's Center for Trade Policy Studies. Mr. Griswold specializes in international trade and immigration, and his areas of research include the trade deficit, imports, and manufacturing, the World Trade Or-

ganization, Congressional voting on trade, and Mexican immigration.

Mr. Griswold is the author of *Willing Workers: Fixing the Problem of Illegal Mexican Migration to the United States*. He has written articles for the *Wall Street Journal*, the *Los Angeles Times*, and other major publications. He has testified before Senate and House Committees and Federal commissions.

Before joining the Cato Institute, Mr. Griswold served as press secretary to former U.S. Representative Vin Weber and as a daily newspaper editorial page director. He holds a bachelor's degree in journalism from the University of Wisconsin at Madison and a diploma in economics and a master's degree in the politics of the world economy from the London School of Economics.

Gentlemen, thank you for your presence here. At this time, I would like to turn to the Ranking Member of the Subcommittee, Ms. Jackson Lee, for an opening statement that she might make.

Ms. JACKSON LEE. Thank you very much, Mr. Chairman. I would ask unanimous consent to submit my entire statement for the record.

Mr. HOSTETTLER. Without objection.

Ms. JACKSON LEE. And let me welcome the witnesses. This is a very important hearing because it juxtaposes two crises that we're facing, and that is the job loss in the United States, the mounting unemployment, the loss of manufacturing jobs, against rational immigration policy that does not admit to practicality.

I've said in hearings dealing with the question of terrorism that immigration does not equate to terrorism. So I say this morning that immigration does not equate to the failed economic policies of this country and of the present Administration.

This nation was founded by immigrants seeking freedom and opportunity. Immigrants typically have been good for the American economy. They create new jobs by establishing new businesses, spending their incomes on American goods and services, paying taxes, and raising the productivity of the United States businesses.

The American economy does not have a fixed number of jobs. Economists describe the notion that the number of jobs is fixed as a labor fallacy. In reality, job opportunities expand with the rising population. Since immigrants are both workers and consumers, their spending on food, clothing, housing, other items creates new job opportunities.

What we really need to spend our time on, and I hope that the witnesses will give us instruction, because that is what we are concerned about, we would like to be problem solvers, and as we do so, we would like to do it in a balanced manner, one, recognizing the historical role that immigrants have played in this nation, each wave coming in and integrating into the society, retaining the values of their culture, but then holding themselves out as patriotic Americans.

Let me remind my friends that even as we fight the continuing war in Iraq, we have seen many of our non-citizens go into battle and lose their lives. They are willing to sacrifice for the values of this country.

In reality, as I said, we know that they create job opportunities. We know that they spend and churn the economy. Immigrants tend



to fill jobs that Americans cannot or will not take in sufficient numbers to meet demand, mostly at the high and low ends of the skill spectrum. For those of us who come from ranching or farming states, we know that immigrants play a very large role in the production of food in the United States.

According to the Department of Labor, occupations with the largest growth in absolute numbers will be in the categories that only require short-term on-the-job training of a month or less. This includes such occupations as waiters and waitresses, retail salespersons, cashiers, nursing aides, orderlies, attendants, janitors, home health aids, manual laborers, landscaping workers, and manual packers.

The Labor Department estimates that the total number of jobs requiring only short-term training will increase from 53.2 million in 2000 to 60.9 million by 2010, a net increase of 7.7 million jobs. But we also know that in this last 2 years, we have lost three million jobs and we have certainly been at the high level of losing manufacturing jobs. The supply of American workers suitable for such work is falling on account of an aging workforce and rising education levels. The median age of American workers continues to increase as the baby boomers near retirement age, and notwithstanding this need, our immigration laws have failed to provide adequate opportunities for low-skilled farm workers to immigrate into the United States.

I hope, Mr. Chairman, as we hear these witnesses who will express their very legitimate concerns—and I welcome them—we keep a two-prong approach in mind. One, we are the Judiciary Committee, but I believe we are Members of Congress. Let us work collaboratively with our Committee that deals and addresses, the Labor Workforce Committee, the questions of training and reinvestment into the American worker.

Let us find, if H1B is reauthorized, that we take a sizeable portion of those fees and use them for the retraining of our American workers. I believe the H1B authorization that Mr. Lamar Smith and myself worked on about two sessions ago was an excellent approach. Unfortunately, it was co-opted by the Republican leadership and not allowed to proceed through the House, where we had a sizeable proportion of dollars attributable to training American workers and retraining them for high-tech jobs and other jobs that were skilled. We still can do that and we should.

The other aspect that we should look at is true immigration reform. Wouldn't it be more worthwhile and sensible to ensure that those who are now undocumented who are working in this country have the ability to access legalization, invest in this country by Social Security taxes, purchases of homes, and help to churn the economy. Who can tell me amongst us that are here today how you can bus out or deport over eight million individuals that are in this country?

So, Mr. Chairman, this is an important hearing, and out of it, I hope that we can collaborate on solutions and begin to find our way to answer the concerns of American workers without a foolish response to ignore the vital role that immigrants play in the United States and have played over the years. I look forward to the testimony, and as I've indicated, in conclusion, I look forward to serious

solutions—serious solutions—for a very crucial concern that impacts all of us.

I thank you, Mr. Chairman, for your kindness in yielding this time. I yield back the balance of my time.

[The prepared statement of Ms. Jackson Lee follows in the Appendix]

Mr. CONYERS. Mr. Chairman? Would it be permissible for me to make a few comments before we begin?

Mr. HOSTETTLER. The chair recognizes the Ranking Member of the full Committee, Mr. Conyers.

Mr. CONYERS. Thank you, Chairman Hostettler and Ranking Member Jackson Lee. This is a very important hearing to me because I come from Detroit, Michigan, where many of the industrial loss of jobs that have occurred, some 2.7 million jobs lost since the Bush administration, is a continuing concern.

I come from—I represent the City of Dearborn in which a Russian business conglomerate just purchased the Dearborn Food steel plant at River Rouge, which caught a lot of my constituents by surprise and some shock. I also represent the city suburban to Detroit in which the steel plant closed, went into bankruptcy, was repurchased by an American steel company, and it was under the condition that they drop the pension and health care plans, which again riveted attention.

Now, the question—those are all interesting economic and industrial questions. What does it have to do with workers? As one paper here written says, what is the impact of immigration on American workers?

With all due respect, I am not sure how this can be determined without us at least having one witness before this panel that comes from the labor community, from the collective bargaining community where there are dozens of millions of working people and where this problem is being studied. So I just want you to know that this is critical.

To me, there are a couple of schools of thought here. There is one group of people in America that want to keep out as many immigrants as possible, even though their forbearers were immigrants themselves. There is another school of thought that thinks we should let in as many as want to come in, or as many as possible.

And what I like to temper those two schools of thought with is the fact that our immigration policy itself needs a very good oversight and scrutiny by this Committee, the Subcommittee and the Judiciary Committee in both Houses. Our immigration system, I think the policies have failed, and they have failed the estimated ten millions of undocumented people that live and work in the United States. Thousands more are caught up in backlogs, wishing to immigrate legally to the United States. And then, of course, we have the American workforce itself that I think has been harmed by the failure of our immigration policy. So we have got to include both the immigrants wishing to make a better life in the country and those who are here already struggling to maintain a better quality of life.

It is undeniable that immigration impacts American workers, and not always in a positive way. Employers—this is not news—take advantage of the plight of undocumented workers by lowering

the wages and employee protections, and historically, guest worker programs have resulted in exploitation of foreign workers, denial of opportunities, and wage depression for domestic workers. I mean, we all get caught in this spiral.

So I am hoping that we will examine these issues very carefully and I thank the Chairman for allowing me to make these introductory remarks.

Mr. HOSTETTLER. The chair recognizes anyone else that may have an opening statement.

[No response.]

Mr. HOSTETTLER. If not, we will turn to the witnesses now. Dr. Camarota, you have 5 minutes. Without objection, your full testimony will be included in the record and you are welcome to testify.

**STATEMENT OF STEVEN A. CAMAROTA, DIRECTOR OF  
RESEARCH, CENTER FOR IMMIGRATION STUDIES**

Mr. CAMAROTA. I would like to thank the Subcommittee for inviting me. My name is Steven Camarota and I am Director of Research for the Center for Immigration Studies here in Washington.

There are few Government policies that can have so profound an impact on the nation as immigration. One of the most important effects of immigration is its impact on the U.S. workforce, or more specifically, American workers. Now, the main reason immigration has a significant impact on American workers is that it increases the supply of workers. That is, it increases the supply of labor.

In particular, there has been concern that those employed at the bottom end of the labor market would be most harmed by immigration because that is where immigrants are most heavily concentrated, in less-skilled, low-paying jobs. While those at the bottom end of the labor market did make some small gains at the end of the 1990's in wages, that was just a blip and those gains have, of course, disappeared now.

Overall, there are about 19 million adult immigrants in the U.S. workforce, but they are heavily concentrated at the bottom. Census data shows that about 35 percent of new immigrants who have arrived in the last 5 years, whether legally or illegally, lack a high school education. Immigrants now comprise more than one-third of all the high school dropouts in the workforce, while they account for 11 percent of all other workers.

Looking at occupations, we see that they make up only one-tenth of those in managerial and professional jobs, but a fourth of those in service jobs such as janitor, security guard, and child care worker.

Now, the National Academy of Sciences has estimated in 1997 that immigration reduced the wages of dropouts by about \$13 billion, which is not a small effect. We must remember that dropouts make up about one-third of all those in the workforce who are in poverty. My own research suggests that the Academy's estimates may be even low. In an article published in *Social Science Quarterly*, I compared occupations and found that the negative effect was about 10 percent for those workers employed in the bottom 20 percent of the labor force.

And in an important brand new study published just this month in the *Quarterly Journal of Economics*, Harvard Professor George

Borjas found that about each 10 percent increase in the supply of labor caused by immigration reduces wages for natives by about three to 4 percent. While most of those adversely affected are less educated, his results actually show that the result is pretty constant throughout the workforce. In other words, if you are in a more educated occupation and you have more skills, the effect seems to be constant of immigration.

The results for those skilled workers are particularly important because few of the immigrants in that sector of the economy are illegal aliens, yet the effect is the same, lower wages for natives. This shows that the primary reason immigration lowers wages is not that immigrants are willing to work for less, rather, lower wages are simply the result of immigration increasing the supply of labor.

Now, if we reduce legal immigration in the future and also begin to actually enforce our laws, some may be concerned that what would we do for unskilled labor, but we really should have no such fear of this. There are currently 1.3 million unemployed native-born dropouts and another seven million who have withdrawn from the workforce. In addition, there are three million unemployed natives who have only a high school education and there are also 11 million in that same category who have actually withdrawn from the workforce, as well. There are also about two million legal immigrants already here who are unemployed or not in the workforce who lack a high school education, as well.

In sum, our potential unskilled workforce is roughly 25 million, of people unemployed or not in the workforce. Thus, there is ample supply of labor.

Now, of course, it's important to realize that wages—wage losses suffered by Americans who are less educated do not vanish into thin air. The National Research Council estimated that the gain from driving down the wages of the working poor is equal to about one- or two-tenths of 1 percent of our national economy, a very small effect relative to the size of the economy. And the net gain is so small because these workers are so poor to begin with that even if you drive down their wages a lot through increasing the supply of labor with immigration, you can't create large benefits.

A more recent paper suggests that even that very small benefit may not even exist. A paper published last year by the National Bureau of Economic Research shows that by not letting wages rise and also productivity rise in response and instead continually adding immigrant labor, we are making our economy less productive. The resulting net economic loss is estimated to be over \$70 billion a year. It is a very important finding that shows that we are actually using labor instead of relying on new technology and capital and becoming productive.

In conclusion, those who support the current high level of unskilled immigration should at least do so with an understanding that those Americans harmed by the policy that they favor are already the poorest and most vulnerable and that must be considered. Thank you.

Mr. HOSTETTLER. Thank you, Dr. Camarota.

[The prepared statement of Dr. Camarota follows:]

## PREPARED STATEMENT OF STEVEN A. CAMAROTA

## INTRODUCTION

Few government policies can have so profound an effect on a nation as immigration. Large numbers of immigrants and their descendants cannot help but have a significant impact on the cultural, political, and economic situation in their new country. Over the three decades socio-economic conditions, especially in the developing world, in conjunction with U.S. immigration policy have caused 23 million people to leave their homelands and emigrate legally to the United States. Additionally, the Immigration and Naturalization Service estimates that 420,000 new illegals settle permanently in the country each year. The current influx has caused an enormous growth in the immigrant population, from 9.6 million in 1970 (4.8% of the population) to 34 million (12% of the population) today.

As in the past, immigration has sparked an intense debate over the cost and benefits of allowing in such a large number of people. One of the central aspects of the immigration debate is its impact on American workers, especially those employed at the bottom of the labor market. These workers are thought to be especially vulnerable to immigrant competition because demand for this kind of labor is generally weak and immigrants are heavily concentrated in less-skilled and lower-paying jobs. While these workers have made some gains at the end of the 1990s, most of these gains have disappeared in the current recession and real wages of workers at the bottom of the labor market remain below what they were in the 1970s.

## FOUR REASONS IMMIGRATION CAN IMPACT WAGES

First, because they often come from countries where wages are much lower, immigrants may be willing to work for less. If immigrants do underbid natives for jobs, then in order to remain competitive in the labor market, natives will have to reduce their own expectations for compensation. Second, immigrants may be seen as more desirable workers by employers. If this is the case, natives will have to choose between offering their services for lower wages in order to remain competitive or suffer higher unemployment. The third reason for concern is that employers can use the threat of further immigration as a way of holding down the wages and benefits of workers. The more open the immigration policy, the more credible the threat becomes. The fourth and probably the most important reason to examine the impact of immigration on less-educated natives is that immigration increases the supply of labor. Basic economic theory predicts that the wages of those in competition with immigrants will decline as immigration increases the number of workers competing for jobs.

*Immigrants Might Work For Less.* For the most part, the research generally indicates that a few years after arrival, immigrant wages are very similar to those of natives in the same occupation with the same demographic characteristics. This may not be true in all places and at all times, but in general it seems that only newly arrived immigrants undercut native wages.

*Immigrants Are Seen As Better Employees.* There is certainly a lot of anecdotal evidence and some systematic evidence that immigrants are seen as better workers by some employers, especially in comparison to native-born African Americans. It is certainly not uncommon to find small business men and women who will admit that they prefer Hispanic or Asian immigrants over native-born blacks. This is especially true of Hispanic and Asian employers, who often prefer to hire from within their own communities. We would expect that this preference on the part of some employers to want immigrants will result in lower wages and higher unemployment for those natives who are seen as less desirable.

A study of the Harlem labor market by Newman and Lennon (1995) provides some systematic evidence that employers prefer immigrants to native-born blacks. Their study found that although immigrants were only 11 percent of the job candidates in their sample, they represented 26.4 percent of those hired. Moreover, 41 percent of the immigrants in the sample were able to find employment within one year, in contrast to only 14 percent of native-born blacks. The authors conclude that immigrants fare better in the low-wage labor market because employers see immigrants as more desirable employees than native-born African-Americans. I have also found some evidence in my work that in comparison to whites, there is an added negative effect for being black and in competition with immigrants.

*The Threat of Further Immigration.* While no real research has been done on this question, the threat of further immigration may also exert a significant downward pressure on wages. To see how this might work consider the following example: Workers in a meat packing plant that has seen a sudden rise in the number of immigrant workers will very quickly become aware that their employer now has an-

other pool of labor from which he can draw. Thus, even if immigrants remain a relatively small portion of the plant's total workforce, because of our relatively open immigration policy, the potential of further immigration exists. Therefore, a relatively open immigration policy may have an effect on wages beyond what might be expected simply by looking at the number of immigrants in the country at any one time.

*Immigration Increases the Supply of Labor.* By far the most important impact immigration has on the workforce is by increasing the supply of labor. Based on the March 2002 Current Population Survey there were about almost 18 million adult immigrants in the American workforce. (All figures that follow are for legal and illegal immigrants, and are for persons 18 years of age and older.) However, they are not distributed evenly across occupations. In 2002, 30 percent of immigrants in the labor market had no high school education, and for those who entered in the preceding five years, 36 percent lacked a high school degree. In comparison, only 8 percent of natives in the work force did not have a high school education. Immigrants now comprise about 40 percent of the high school dropouts in the work force, while accounting for only 11 percent of workers with more than a high school education. If we look at occupations, we see the high concentration of immigrants at the bottom of labor market. In 2002, immigrants made up only 11 percent of individuals in managerial and professional jobs; in comparison, they comprised 23 percent of workers in service jobs, such as janitor, security guard, and child care worker. This means immigration has increased the supply of the some kinds of workers much more than others. As a result, any effect on the wages or job opportunities of natives will likely fall on natives employed in less-skilled and low-paying occupations.

#### EMPIRICAL RESEARCH

Attempts to measure the actual labor market effects of recent immigration empirically have often come to contrary and conflicting conclusions. Studies done in the 1980s and early 1990s, which compared cities with different proportions of immigrants, generally found little effect from immigration (Butcher and Card, 1991; Altonji and Card, 1991; Borjas 1983, 1984). However, these studies have been widely criticized because they are based on the assumption that the labor market effects of immigration are confined to only those cities where immigrants reside.

*Impact of Immigration Is National not Local.* The interconnected nature of the nation's economy makes comparison of this kind very difficult for several reasons. Research by University of Michigan demographer William Frey (1993, 1996) and others, indicates that native-born workers, especially those natives with few years of schooling, tend to migrate out of high-immigrant areas. The migration of natives out of high-immigrant areas spreads the labor market effects of immigration from these areas to the rest of the country. There is also evidence that as the level of immigration increases to a city, the in-migration of natives is reduced.

In addition to internal migration patterns, the huge volume of goods and services exchanged between cities across the country creates pressure toward an equalization in the price of labor. For example, newly arrived immigrants who take jobs in manufacturing in a high-immigrant city such as Los Angeles come into direct and immediate competition with natives doing the same work in a low-immigrant city like Pittsburgh. The movement of capital seeking to take advantage of any immigrant-induced change in the local price of labor should also play a role in preserving wage equilibrium between cities. Beside the response of native workers and firms, immigrants themselves tend to migrate to those cities with higher wages. In short, the mobility of labor, goods, and capital as well as choices made by immigrants may diffuse the effect of immigration, making it very difficult to determine the impact of immigration by comparing cities.

*The National Research Council.* One way researchers have attempted to deal with the problems associated with cross-city comparisons is to estimate the increase in the supply of labor in one skill category relative to another skill category brought about by immigration in the country as a whole. The wage consequences of immigration are then calculated based on an existing body of literature that has examined the wage effects of changes in the ratio of skilled to unskilled workers. The National Research Council (NRC) relied on this method in its 1997 report entitled *The New Americans* (Edmonston and Smith, 1997). The NRC estimates that immigration has had a significant negative effect only on the wages of high school dropouts. The NRC concluded that the wages of the this group, 11 million of whom are natives, are reduced by roughly five percent (\$13 billion a year) as a consequence of immigration. Not a small effect. Dropouts make up a large share of the working poor. In 1998, nearly one out of three native workers living in poverty lacked a high school education. Additionally, 1.6 million native families or more than three million

people living in poverty depended on the wages of a person who lacks a high school education for support. Put another way, the wage losses suffered by high school dropouts because of immigration are roughly equal to the combined federal expenditures on subsidized School Lunches, low-income energy assistance, and the Women Infants and Children program.

*Center for Immigration Studies Research.* My own research suggests that the effect of immigration may be even greater than the estimates in the NRC report (Camarota 1997, 1998). I compared differences across occupations nationally and found that the concentration of immigrants in an occupation does adversely affect the wages of natives in the same occupation. In other words, there is a negative relationship between the percentage of immigrants in an occupation and the wages of natives in the same occupation, even after controlling for a wide variety of factors. By treating the entire nation as one labor market and comparing the effects of immigration across occupations, this approach avoids many of the problems associated with cross-city comparison.

My results show that immigrants have a significant negative effect on the wages of natives employed in occupations performed by persons who have only a high school education or less. For the 23 percent of natives employed in these occupations (about 25 million workers), a 1 percent increase in the immigrant composition of their occupation reduces wages by .8 percent. Since these occupations are now on average 19 percent immigrant, my finding suggests that immigration may reduce the wages of workers in these occupation by more than 10 percent. It should also be added that since native-born blacks and Hispanics are 67 percent and 37 percent more likely respectively to be employed in the negatively affected occupations than are native-born whites, a much higher percentage of minorities are negatively affected by immigration. Moreover, because native-born blacks and Hispanics in these occupations earn on average 15 percent less than whites, the wage loss resulting from immigration is likely to represent a more significant reduction in the material prosperity for these groups.

*Other Research.* In a brand new study published in the current issue of the Quarterly Journal of Economics of Harvard professor George Borjas (2003), who is regarded as the nation's leading immigration economist, found that each 10 percent increase in the supply of labor caused by immigration reduces wages for natives by 3 to 4 percent. While most of those adversely affected are less educated workers, his results hold true throughout the labor market. The results for more skilled workers are particularly important because few of the immigrants in this section of the economy are illegal aliens, yet the effect is the same — lower wages for natives. This new research strongly indicates that the primary reason immigration lowers wages is not that immigrants are willing to work for less, rather lower wages are simply the result of immigration increasing the supply of labor.

Still other researchers have found that immigration adversely affects employment for natives. Augustine J. Kposowa (1995) found that a 1 percent increase in the immigrant composition of a metropolitan area increased unemployment among minorities by .13 percent. She concludes, "Non-whites appear to lose jobs to immigrants and their earnings are depressed by immigrants." In a report published by the Rand Corporation, Kevin McCarthy and Georges Vernez (1997) estimated that in California alone competition with immigrants for jobs was responsible for between 128,200 and 194,000 people being unemployed or having withdrawn from the workforce. Almost all of these individuals either are high school dropouts or have only a high school degree. Additionally, most are either women or minorities.

#### POLICY DISCUSSION

Knowing that low-skilled natives are made poorer by immigration does not tell us what, if anything, we should do about it. The extent to which we take action to deal with the wage and employment effects of immigration depends on how concerned we are about the wages of the less-educated. A number of scholars have argued that the inability of low-skilled workers to earn a living wage contributes significantly to such social problems as welfare dependency, family breakup, and crime. One need not accept all the arguments made in this regard to acknowledge that a significant reduction in wages for the poorest Americans is a cause for real concern.

*Leave Immigration Policy Unchanged.* If we wish to do something about the effects of immigration, there are two possible sets of policy options that could be pursued. The first set would involve leaving immigration policy in place and doing more to ameliorate the harmful effects of immigration on natives in low-skilled occupations. Let me discuss two of the most commonly discussed ways of increasing wages without cutting immigration. Since the research indicates that the negative impact from immigration falls on those employed at the bottom of the labor market, an in-

crease in the minimum may be helpful in offsetting some of the effects of immigration. Economic research indicates that the minimum wage does increase the wages for those who already have jobs. However, research also indicates that by raising the cost of labor, the minimum wage can cause unemployment by increasing the incentive to lay off workers and by making employers less willing to hire new ones. The size of the dis-employment effect, however, is a matter of significant debate in the economic literature. In regard to immigration, it seems clear that increasing the minimum wage and at the same time allowing in large numbers of less-skilled immigrants can only aggravate whatever dis-employment effects exist. In contrast, cutting low- and unskilled immigration would increase wages, without there being any potential for increasing unemployment among those earning the minimum wage.

Another program that might be helpful in assisting those harmed by immigrant competition is the Earned Income Tax Credit (EITC). There is little doubt that the Credit increases the income of low-wage workers. However, in addition to the high cost to taxpayers, the Credit may also hold down wages because it acts as a subsidy to low-wage employers. That is, employers have less incentive to increase wages because workers are now being paid in part by the federal government. Cutting low- and unskilled immigration, on the other hand, has no such down side for less-skilled workers nor is it costly to taxpayers. Moreover, the Credit only increases earnings for those with jobs, it does not address increased unemployment among the less-skilled that comes with immigration. It is also worth remembering that dispersion of funds under the EITC is automatic. Since immigration lowers the wages for precisely those workers who already have low incomes, it is very likely that immigration increase the costs of the Credit to taxpayers. It is also possible that an increase in the Credit may only get incomes back to where they would have been had there been less immigration. Thus, to get the maximum benefit from an increase in the EITC it would be highly desirable to cut low- and unskilled immigration first and then increase the dollar value of the EITC. The resulting gains to low-wage workers are then more likely to amount to a significant improvement in the living standards of recipients.

*Reducing Immigration.* The second set of policy options that might be enacted to deal with this problem would involve changing immigration policy with the intent of reducing job competition for natives and immigrants already here. If we were to reduce unskilled immigration we might want to change the selection criteria to ensure that immigrants entering the country will not compete directly with the poorest and most vulnerable workers. At present, only about 12 percent of legal immigrants are admitted based on their skills or education. Since two-third of permanent residency visas are issued based on family relationships, reducing the flow of low-skilled legal immigrants would involve reducing the number of family-based visas. This might include eliminating the preferences now in the law for the siblings and adult children (over 21) of U.S. citizens and the adult children of legal permanent residents. These changes would not only reduce low-skilled legal immigration immediately, they would also limit the chain migration of low-skilled immigrants that occurs as the spouses of those admitted in the sibling and adult child categories petition to bring in their relatives. In addition to reducing the flow of low-skilled legal immigrants, a greater allocation of resources could be devoted to controlling illegal immigration especially in the interior of the country. This type of enforcement has not seen the same recent increases as border control. Illegal aliens tend to be very low skilled, with an estimated 75 percent lacking even a high school degree.

#### BENEFITS OF IMMIGRATION

Of course, it is important to realize that wage losses suffered by the unskilled do not vanish into thin air. Many advocates of mass immigration will concede, at least in private, that low- and unskilled immigration reduces wages. However, they will point out that lower wages for the less-educated results in higher profits, and also increases the wages of more-educated Americans who can now be paid more. In other words, while immigration may make the poor poorer, it also creates a small net economic benefit for the country as a whole. The NRC estimated that the gain resulting from the wage losses suffered by the unskilled is equal to about 1 or 2 tenths of one percent of our total economy — \$1 to \$10 billion. Thus, additional unskilled immigration can be justified on the ground that it creates a very small net benefit for the country as a whole, though it is bad for unskilled workers. The net gain is so small relative to the size of our economy because unskilled workers account for such a tiny proportion of the nation's total output. As a result, their wages can decline substantially without having a significant effect on the economy.

Even that very small benefit has been called into question by newer research published last year by the National Bureau of Economic Research. That paper published



by two Columbia economist, David Weinstein and Donald Davis (2002), showed that by not letting wages and productivity rise, and instead continually adding immigrant labor, we are making our economy less productive. The resulting economic loss they estimated at over 70 billion a year.

#### THE ECONOMIC AND FISCAL PARADOX

There is a very high cost to cheap immigrant labor. The economic benefit from immigration comes from the fact that immigrants are significantly less skilled than natives. The resulting high concentration of immigrants at the bottom of the labor market is what causes the significant wage reductions that in turn generate the net gain for employers and others. But unskilled immigrants also have a negative effect on public coffers. In other words, it is precisely those workers who create the economic benefit by lowering the wages of unskilled workers, who are responsible for the fiscal burden. In fact, the fiscal cost (tax payments minus service use) created by immigrant households was estimated by the National Research Council to be between \$11 and \$22 billion dollars a year at the current time. This fiscal cost is large enough to offset the modest economic gains that come from access to immigrant labor. The fiscal burden associated with immigrants is entirely the result of low- and unskilled immigrants.

The National Research Council in 1997 found that during the course of his or her lifetime, the average immigrant without a high school degree will use \$89,000 more in public services than he or she pays in taxes. For an immigrant with only a high school degree the figure is \$31,000. They also found that immigrants with a college education tend to be a fiscal benefit — paying considerably more in taxes than they use in services. But, overall the fiscal effect is negative because so many immigrants are poor and uneducated. This means that when the fiscal effects of low-skilled immigrants are considered, immigration reduces the wages of the most vulnerable Americans and creates an added fiscal burden for American taxpayers. And this burden is large enough to offset up any economic gain resulting from lower wages for the unskilled. In light of its impact on the poor and public coffers, it is therefore very hard to justify the continued mass migration of very low-skilled immigrants on the grounds that it is good for the country as a whole.

#### CONCLUSION

Of course, it is important to keep in mind that other factors in addition to immigration have had a negative impact on low-wage workers. Technological change and increased trade have also played a significant role in reducing the labor market opportunities for low-wage workers in the Untied States. However, immigration is unlike technological change or globalization because it is a discretionary policy that can be altered to suit our needs and values. After all, Congress cannot legislate a pause in the expansion of human knowledge or stop the Japanese from setting up factories in Malaysia — but it can reduce unskilled immigration. And based on the latest research, we can do so secure in the knowledge that doing so will not harm to the U.S. economy. In fact, it would probably be good for the country as a whole. It should also be remember that any negative effect immigration may have on wages is not due primary to a willingness to work for less on the part of illegal immigrants or perhaps legal immigrants as well. Rather, it is mainly the increase in the supply of labor that creates lower wages for those who are in competition with immigrants.

In the end, arguments for or against immigration are as much political and moral as they are economic. If one is concerned about low-wage and less-skilled workers in the United States, then clearly our current policy is unwise. On the other hand, if one places a high priority on helping unskilled workers in other countries, then allowing in a large number of such workers makes sense. Of course, only an infinitesimal proportion of the world's poor could ever come to this country even under the most open immigration policy one might imagine. Those who support the current high level of unskilled immigration should at least do so with an understanding that those American workers harmed by the policies they favor are already the poorest and most vulnerable.

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Mr. HOSTETTLER. Professor Briggs.

**STATEMENT OF VERNON M. BRIGGS, JR., PROFESSOR,  
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UNIVERSITY**

Mr. BRIGGS. Thank you, Mr. Chairman. Throughout its history, organized labor has recognized the importance of placing limits on immigration policy, and over the years, for at least 150 years, organized labor in whatever form it took always stood for an enforceable immigration system and a measured system of immigration. It recognized from the beginning that immigration is a human resource policy. It deals with the quantity and the skill composition of the nation's labor force and has enormous implications for that purpose. It is not a policy of fiscal and monetary policy. It is a human resource policy and should be judged accordingly.

When the American Federation of Labor was first founded just shortly before the Supreme Court clearly established that immigration is the sole responsibility of the Federal Government, the first president of the American Federation of Labor, Samuel Gompers, who was himself an immigrant, said that the AFL immediately recognized the importance of restricting immigration. That doesn't mean no immigration, but restricting and enforcing an immigration policy.

In his autobiography, he said, quote, "Immigration is in its fundamental aspects a labor problem," unquote, and I believe that sincerely. It is fundamentally a labor problem, and that is how immigration policy should be judged. Immigrants come here to work and they have influence on those others who do work. Also, their spouses and children ultimately do work. So it's fundamentally a labor issue. I think he was absolutely correct on that issue.

Until relatively recently, just in the last decade, organized labor recognized the wisdom of those words and acted accordingly. The first objective was to further the economic interest of citizen workers, native born and foreign born. That's the first responsibility of a labor movement and it should be the first responsibility of labor policy in the United States.

It is not to become the advocate of the pro-immigrant political lobby in supporting all kinds of things that are certainly contrary to the interest of working people, and this runs the gamut from more amnesties to guest worker programs to programs for getting for drivers' licenses, for repealing employer sanctions, all of these types of things that the pro-immigrant lobby pushes for. Workers have no interest in any of that nonsense.

Studies on effective immigration on the workers have shown especially it's the low-skilled workers who are impacted, and in the written testimony, I've gone through page after page of the finest and most outstanding scholars in American history who have studied this issue. This is not a new issue, and the lessons are uniform, that it adversely affects our—that when immigration levels rise, the people that are affected the most are low-skilled workers. They are affected adversely. When immigration levels go down, their wages go up, union membership goes up, and all the rest of it. Workers are better off. And they've recognized that and acted accordingly.

For most of its years, the AFL reflected that view, and certainly their imprint was on every piece of immigration legislation up coming until the 1990's. In the recent times, the AFL-CIO has shifted its position to become an advocate for lax immigration enforcement and for mass amnesties. Why the shift?

First of all, because labor has been encountering increasingly labor markets and urban labor markets that are overwhelmed by large numbers of recent immigrants, many of them illegal, and it has decided that these top immigrant issues have become more attractive to some of these new immigrant populations. It is a more pragmatic policy and it's a sad one. Unions do not hire workers. Employers do. Unions can only organize workers that employers hire.

Increasingly, employers are hiring illegal immigrants and they are present in large numbers and the Government is not doing anything to stop it. The one thing that should be done constantly is get illegal immigrants out of the labor force by enforcing employer sanctions at the worksite. That is the number one public policy that ought to be discussed these days when we talk about immigration reform.

It also seems today that—and unfortunately, this is a sad union policy as they have shifted to try to defend illegal immigrants. The Supreme Court has now ruled in 2002 that the National Labor Relations Act does not protect workers who can be dismissed for union activities, so it's futile to really go out and try to organize illegal immigrants in the workplace since employers can fire them on the spot for union activity. It's perfectly legal according to what the Supreme Court said. So this is a counterproductive action by the labor movement.

Finally, it seems like it's good politics in many ways for a labor movement. Unfortunately, the immigration issue has been totally taken over today by special interest groups, the exact groups that Father Hesburgh 20 years ago warned to not listen to—racial groups, ethnic groups, the religious organizations, business organizations, corporate business looking for cheap labor, and economic libertarian views. It's right in their final report. Those are not the people to listen to in terms of forming immigration policy. They're only interested in special interests, and this is their political agenda.

Unfortunately, the labor movements, given the situation that it's confronted in the labor market today, that it seems that it has to in some sense try to identify with these groups and to be part of a political coalition, supposedly to perhaps pick up some crumbs. But this would be a self-defeating process because the more immigrants come in, especially illegal ones, into the labor market, the more difficult it is for the unions to actually be successful in ever raising wages, even if the people join the unions.

It's also not going to be long before most American workers begin to realize, if they haven't realized it already, that the labor movement, the champions of all kind of American workers, have now turned against them with its advocacy for lax immigration policies and for amnesties and all the rest of these things.

Just in conclusion, let me say what is bad economics—and there are ten pages in that testimony on what is bad economics for working people by the best names this profession has ever put forth over the decades, and they're all there for you to read if you'll please read them—what is bad economics for American workers cannot be good politics for American unions and it cannot be good public policy for the United States. Thank you.

Mr. HOSTETTLER. Thank you, Professor Briggs.

[The prepared statement of Mr. Briggs follows:]

#### PREPARED STATEMENT OF VERNON M. BRIGGS, JR.

Immigration policy is a form of human resource development which is the sole responsibility of the federal government. As such, it has economic consequences on the nation's labor market. Depending on its provisions and its enforcement, immigration policy can influence both the quantitative size and the qualitative skill level of the labor force. As immigrants have never been equally distributed across the country, there are differential scale effects on local and regional labor markets. The manifestations of these effects are employment and wage outcomes. Depending on the historical setting when specific policies are implemented the outcomes may vary but they will always be there.

#### WHAT HAS HAPPENED?

Within a year after the U.S. Supreme Court established that the federal government has the sole responsibility for the formation and enforcement of the nation's immigration policies (in 1892), "the labor movement was among the first organizations" to urge that limits be set and subsequent policy enactments be accountable for their economic consequences.<sup>1</sup> It was in this context that Samuel Gompers - the President of The American Federation of Labor and an immigrant himself- said "we immediately realized that immigration is, in its fundamental aspects, a labor problem."<sup>2</sup> All immigrants have to work or be supported by those who do. In most instances, so do their spouses and children eventually.

<sup>1</sup>Samuel Gompers, *Seventy Years of Life and Labor*. (New York: E.P. Dutton Company, 1925), Volume 2, p.154.

<sup>2</sup>*Ibid.*, p. 157.

Indeed, every significant piece of immigration legislation enacted by Congress from the time that it initiated efforts to influence immigration flows in 1864 until the late 1980s bears the stamp of organized labor in its support for passage or was caused to be repealed as the result of labor opposition.<sup>3</sup> Moreover, the ebbs and flows of membership in American unions since 1860 have over time generally been the inverse of immigration trends. When immigration levels decline union membership rises; when immigration levels rise, union membership falls (see Figure 1 at the end of this statement).

During the 1980s, the AFL-CIO strongly supported the passage of the Immigration Reform and Control Act (IRCA). At its 1985 convention, resolutions were passed that supported the adoption of sanctions against employers who hire illegal immigrants; favored the creation of “an eligibility verification system that is secure and non-forgable;” created an amnesty program for illegal already in the United States; and opposed “any new ‘guestworker’ or ‘bracero’ program.”<sup>4</sup> After IRCA was passed, the AFL-CIO adopted a resolution in 1987 that called the new legislation “the most important and far reaching immigration legislation in 30 years” and, it noted that in particular “the AFL-CIO applauds the inclusion in that law of employer sanctions and of a far-reaching legalization [i.e., amnesty] program.”<sup>5</sup>

But in the late 1980s the leadership of the AFL-CIO began to waffle on its historic policy position of protecting the interests of American workers from the adverse economic effects of mass immigration. The AFL-CIO did not take a prominent role in the political posturing preceding the ultimate passage of the Immigration Act of 1990. It did not clearly articulate what it favored; it did not specify what it was against.<sup>6</sup> At its 1989 Convention, a resolution was adopted that stated that it “opposes any reduction in the number of family-based visas or any erosion in the definition of the family.” Furthermore, it opposed increasing the number of employment-based immigrants because they represented “a brain drain” of other nations and the AFL-CIO preferred to expand domestic policies “to increase our investment in education and job training in this country.”

The Immigration Act of 1990 passed. It significantly raised the prevailing legal immigration levels by about 35 percent—to 700,000 visas a year from 1991 through 1994 and to 675,000 visas a year thereafter. It did not reduce the number of family-based visas (in fact, it increased them) nor did it change the definition of what constitutes a family. The number of employment-based visas was significantly increased from 54,000 to 140,000 a year. It added a new “diversity” admission category (originally with 40,000 visas a year but increasing to 55,000 visas a year in 1995); and it expanded the ease by which employers could get access to a variety of foreign workers on a temporary basis.

In terms of its prospective long term impact on the U.S. population and labor force, the Immigration Act of 1990 is the most significant domestic legislation enacted by Congress since that time. Given its provisions, the U.S. Bureau of the Census projects that two-thirds of the expected population increase of the United States to the year 2050 of 131 million people (or about 80 million people) will be the consequence of the presence of the immigrants themselves and of their children.<sup>7</sup> Speaking to this point the National Research Council (NRC) has stated that, “immigration, then, will obviously play the dominant role in the future population growth of the United States.”<sup>8</sup>

At its 1993 convention, the AFL-CIO reversed course entirely. The convention adopted a resolution that praised the role that immigrants have played in building the nation. Furthermore, it demonized unidentified advocates of immigration reform for launching “a new hate campaign cynically designed to exploit public anxiety by making immigrants and refugees the scapegoats for economic and social problems.”<sup>9</sup>

<sup>3</sup>For elaboration see Vernon M. Briggs, Jr., *Immigration and American Unionism*, (Ithaca: Cornell University Press, 2001).

<sup>4</sup>“Immigration Reform,” *AFL-CIO Policy Resolution Adopted October 1985 by the Sixteenth Constitutional Convention*, (Washington, D.C.: AFL-CIO, 1986) pp. 45–46.

<sup>5</sup>“Immigration Reform,” *AFL-CIO Policy Resolution Adopted November 1987*, (Washington, D.C.: AFL-CIO, 1988), p. 47–48.

<sup>6</sup>“Immigration Reform,” *AFL-CIO Policy Resolution Adopted November 1989*, (Washington, D.C.: AFL-CIO, 1990), p. 46.

<sup>7</sup>U.S. Department of Commerce, *Current Population Reports*, P25–1130 (Washington, D.C.: U.S. Bureau of the Census, 1996).

<sup>8</sup>National Research Council, *The New Americans*, (Washington, D.C.: National Academy Press, 1997), p. 95.

<sup>9</sup>“Immigration and the Labor Movement,” *Policy Resolutions Adopted October 1993 by the AFL-CIO Convention*, (Washington, D.C.: AFL-CIO, 1994), p. 14.

It concluded that “immigrants are not the cause of our nation’s problems.”<sup>10</sup> The resolution also encouraged affiliated unions “to develop programs to address the special needs of immigrant members and potential members” and called for member unions to work with “immigrant advocacy groups and service organizations” to protect the interests of new immigrants. Clearly, a new immigration attitude was emerging within the leadership of the AFL-CIO.

Meanwhile, the U.S. Commission on Immigration Reform (CIR), which was created to study the efforts of the Immigration Act of 1990, was reporting its interim findings. Chaired by Barbara Jordan throughout most of its years of its operation, CIR concluded that “our current immigration system must undergo major reform” and requires “a significant redefinition of priorities.”<sup>11</sup> It recommended a 35 percent reduction of legal admissions back to the pre-1990 levels; the elimination of the extended family preferences for admission; the elimination of the employment-based provision that permits unskilled workers to be admitted; a return to the policy of including refugees within the total number of immigrants that are admitted each year; no new foreign guestworker programs; and a crack down on illegal immigration.<sup>12</sup> Against this backdrop, the AFL-CIO entered the fray in 1995 by opposing all the proposed changes. Despite extensive research and findings to the contrary, it adopted a policy resolution was adopted at its convention that year that asserted that, “the notion that immigrants are the blame for the deteriorating living standards of America’s low-wage workers must be clearly rejected.”<sup>13</sup> Rather than immigration reform, it proposed increasing the minimum wage, adopting universal health care and enacting labor law reform as the remedies for the widening income disparity in the nation.

Aware of the findings of CIR by this time, Congress took up the issue of immigration reform in the in the Spring of 1996. During its debates, the AFL-CIO allied itself with other anti-reform groups to oppose most of the proposed changes. Together, they succeeded in having Congress separate all the legal reform measures from the pending bill and then killing them, stripping form the remaining bill the key proposals for verifications of the authenticity of the social security numbers as a way to reduce illegal immigration; and dropping efforts to limit refugee admissions. By joining with a coalition of some of the most anti-union organizations in the country, labor leaders succeeded in blocking immigration reform design primarily to protect the economic well-being of low skilled workers. Devoid of any legal immigration reform and containing watered-down steps to reduce illegal immigration, the Illegal Immigration Reform and Immigrant Responsibility Act of 1996 was passed.

At its October 1999 membership convention held in Los Angeles, the pro-immigrant element within the AFL-CIO made its next move. Gaining support from unions representing janitors, garment workers, restaurant workers and hotel housekeepers, they argued that unions needed to overtly embrace immigrants if the movement is to survive. They buttressed their case by citing incidents whereby employers used immigration law to intimidate or to dismiss immigrant workers who were involved in trying to form unions. In particular, these advocates sought to end the employer sanctions provision created by the IRCA in 1986 (which organized labor had strongly supported) and to enact yet another general amnesty for those illegal immigrants now in the country. Support for this effort was far from unanimous.

To avoid a public confrontation, AFL-CIO officials agreed that the motion would be briefly debated and then referred to a committee for study. It was done. When the AFL-CIO Executive Committee met in New Orleans in February 2000, it consummated its break from the past.<sup>14</sup> It would now support expanded immigration, lenient enforcement of immigration laws, and the legislative agenda of immigrants (which include repeal of sanctions against employers who hire illegal immigrants; generous amnesties for the six illegal immigrants already in the United States at the time and liberalizing restrictions on foreign guest workers who seek to work in the United States). Thus, the one societal body that had for over a century faithfully and consistently supported reasonable and enforceable immigration policies to protect the nation’s working people was poised to betray their trust.

<sup>10</sup>*Ibid*

<sup>11</sup>U.S. Commission on Immigration Reform, *Legal Immigration: Setting Priorities*, (Washington, D.C., U.S. Commission on Immigration Reform, 1996), see letter of transmittal, p. i.

<sup>12</sup>U.S. Commission on Immigration Reform, *Becoming an American: Immigration and Immigrant Policy*, (Washington, D.C.: U.S. Commission on Immigration Reform, 1997).

<sup>13</sup>“Immigration Reform,” *Policy Resolution Adopted October 1995 by the AFL-CIO Convention*, (Washington, D.C.: AFL-CIO, 1996), p. 68.

<sup>14</sup>“Immigration,” *AFL-CIO Executive Council Actions*, (February 16, 2000), pp. 1–4.

While some union leaders cheered these actions as did some business lobbyists in the days that followed, *The New York Times* editorialized that the AFL-CIO's proposal should be rejected" as it would "undermine the integrity of the country's immigration laws and would depress the wages of the lowest-paid native born workers."<sup>15</sup>

The final step in this saga was taken at the December 2001 convention of AFL-CIO held in Las Vegas, Nevada. Seemingly oblivious to the horrendous terrorist events of September 11, 2001, the AFL-CIO at its membership adopted the aforementioned pro-immigration agenda put forth by its Executive Council.<sup>16</sup> It is hard to imagine a worse-time to announce that the labor movement was abandoning its historic pro-worker stance on immigration in order to become an advocate for loose immigration enforcement. The fact that both the unemployment rate and poverty levels were rising sharply at the same time cast even more doubt on the wisdom of such an action.

Only three months later, the U.S. Supreme Court rendered a major finding that illegal immigrants are not protected by the National Labor Relations Act if they are dismissed for union-organizing activities.<sup>17</sup> As Chief Justice William H. Rehnquist stated in the majority decision, "awarding back pay to illegal aliens runs counter to policies underlying federal immigration laws."<sup>18</sup> The national interest is to keep people who violate immigration laws out of the labor market; it is not in the national interest to afford legal rights to people who are not legally entitled to be working in the country in the first place.

#### WHY THE CHANGE IN POSITION?

There are multiple reasons why organized labor has changed its historic position on immigration. The first explanation is the obvious one. Namely, with the foreign born population in the United States now exceeding 33 million people (of whom over 20 million are in the civilian labor force), the AFL-CIO organizing campaigns in a number of large urban areas are encountering large concentrations of immigrant workers. Many are illegal immigrants. The leadership believes, therefore, it is pragmatic to adopt a more accommodating stance.

Secondly, there is the key self-defense issue. Some employers use the threat (or actual practice) of turning illegal immigrants into federal immigration authorities if they seek to vote (or do vote) in union certification elections. U.S. courts have upheld the right of "all employees—including those who may be subject to termination in the future . . . to vote on whether they want to be represented by a union."<sup>19</sup> Furthermore, the federal government announced in the Spring of 1999 that it was essentially abandoning enforcement of employer sanctions at the work site in favor of focusing on human smuggling activities, border management, and criminal deportations. This means that illegal immigrants have little to fear about government enforcement raids unless employers report them.<sup>20</sup> Thus, if illegal immigrants are at the work site, unions have to organize the workers that employers hire. If the government is not going to police worksites, unions must seek to enlist the illegal immigrants as members or abandon their organizing efforts with the enterprise in question. Should unions give up such organizing, employers will have an even greater incentive to hire more illegal immigrants than they already do. Thus, organizing and protecting illegal immigrants is not viewed as a matter of principle, it is seen as a matter of necessity.

Finally, there is the political posturing that has now captured the entire immigration reform movement. The leaders of both major political parties—sometimes referred to as "elites"—believe they can gain from pandering to pro-immigrant forces (i.e., racial, ethnic, and religious groups) who are seeking to increase their ranks in the belief that it will enhance the political influence of their particular group. Similarly, there is the ever present special interests of business lobbyists always looking for cheap labor and economic libertarians who believe in open borders as a matter of principle. As a consequence political scientists James Gimple and James Edwards have described the result: "The will of the people has had little impact on the tone

<sup>15</sup>"Hasty Call for Amnesty," *New York Times*, (February 22, 2000), p. A-22.

<sup>16</sup>Tom Ramstock, "AFL-CIO Adopts Amnesty Proposal," *Washington Times*, (December 5, 2001), p. C6.

<sup>17</sup>*Hoffman Plastic Compounds v. National Labor Relations Board*, (2002).

<sup>18</sup>Gina Holland, "Politics: Court Decides Illegal Immigrants Not Entitled to Same Rights as U.S. Worker," *Associated Press Online*, (March 27, 2002) p. 1.

<sup>19</sup>*National Labor Relations Board v. Kolkka*, 9th Cir., No. 97-71132 (March 17, 1999).

<sup>20</sup>Meissner Announces New INS Strategy to Combat Smuggling on Illegal Workers," *Daily Labor Report*, (March 31, 1999), No. 61, p. A-9; "Ex-Panel Member Blasts INS Decision to de-Emphasize Worksite Enforcement," *Daily Labor Report*, No. 127, p. A-3

or direction of the immigration debate in Washington.”<sup>21</sup> Countless public opinion polls that have called for reduced immigration levels and strict enforcement (not accommodation) of existing law against illegal immigrants are simply ignored. Organized labor, it seems fears it will be left out if it adheres to its traditional posture of defending the interests of American workers. In other words, it has made a pragmatic decision “to throw in the towel” in favor of lax immigration policies rather than to go down fighting when the outcome of the political bout is already fixed.

#### THE SORRY FATE OF UNSKILLED WORKERS

Throughout the long academic history of assessing the impact of immigration on the American labor force, there is one constant theme: the immigration inflow has traditionally been dominated by low skilled and poorly educated persons. It remains so today.

The 2000 Census revealed that 58 percent (12.8 million) of the adult foreign born population have only a high school education or less. At a time when the nation has been trying to reduce the size of its low skilled labor pool, immigration policy is flooding that sector of the labor market with a additional flow of poorly educated immigrant workers. Furthermore, the United States still has a substantial number of native born adults in the population. In 2000, 47.7% of the native born adult population only had a high school diploma or less. That percentage translates into a staggering 72 million people. This is a substantial pool of adult native born workers who potentially compete with the preponderance of the adult foreign born population for jobs, income, and social services.

Research on the impact of mass immigration on the economic well-being of workers has consistently found that organized labor’s earlier support for restrictive measures was amply justified. In the post Civil-War era when the fledgling labor movement initially began to press immigration reforms, economists Timothy Hatton and Jeffrey Williamson have found that urban real wages would have been 14 percent higher in 1890 were it not for the high immigration levels of the preceding 20 years.<sup>22</sup> Their findings supported the earlier conclusions of Stanley Lebergott that real wages in the 25 years following the Civil War tended to move inversely with the ebbs and flows of immigration levels over this timespan.<sup>23</sup>

Likewise, studies of the more massive immigration that occurred between 1890 and 1914 were even more supportive of the AFL’s strenuous efforts to reduce immigration levels during this era. Hatton and Williamson found that, in the absence of the large-scale immigration that occurred after 1890, the urban real wage would have been 34 percent higher in 1910. Parenthetically, they observed that “with an impact that big, no wonder the Immigration Commission produced a massive report in 1911 which supported quotas!”<sup>24</sup> Likewise, economists Harry Millis and Royal Montgomery wrote of this era that organized labor was correct in its assessment of adverse economic impact of immigration on American workers “as labor markets were flooded, the labor supply was made more redundant, and wages were undermined”.<sup>25</sup>

Following the the enactment of the first ceilings on immigration in U.S. history, the economic gains to workers were found to be immediate. Indeed, labor historian Joseph Rayback called the Immigration Acts of 1921 and 1924 “the most significant pieces of “labor” legislation enacted during” the post-World War I era.”<sup>26</sup> Mills and Montgomery likewise observed “from the international viewpoint the morality of the postwar immigration policy of the United States may be questioned, but of its economic effect in raising real earnings there can be little question.”<sup>27</sup> Lebergott, who attributed this tripling of real wages for urban workers that occurred in the 1920s to the substantial immigration reductions that occurred in this period, observed that “political changes in the supply of labor can be more effective in determining wages

<sup>21</sup>James G. Gimpel and James R. Edwards, “The Silent Majority,” *Journal of Commerce*, (June 23, 1998), p. 8A.

<sup>22</sup>Timothy H. Hatton and Jeffrey G. Williamson, “The Impact of Immigration on American Labor Markets Prior to the Quotas,” *Working Paper No. 5185*, (Cambridge: National Bureau of Economic Research, Inc., 1995), p. 30.

<sup>23</sup>Stanley Lebergott, *Manpower in Economic Growth*, (New York: McGraw-Hill Book Company, 1964), p. 163.

<sup>24</sup>Timothy H. Hatton and Jeffery G. Williamson, *Op. cit.* p. 30. [Emphasis is on the original]; See also Stanley Lebergott, *op. cit.*, p. 162

<sup>25</sup>Harry A. Mills and Royal E. Montgomery, *Labor’s Progress and Some Basic Labor Problems*, (New York: McGraw-Hill Book Company, 1938), p.31; see also pp. 239 and 244 for related discussions.

<sup>26</sup>Joseph G. Rayback, *A History of American Labor*, (New York: Free Press, 1967), p. 278.

<sup>27</sup>Mills and Montgomery, *op. cit.* p. 211.



than even explicit attempts to fix wages.”<sup>28</sup> What more powerful statement can be made about the significance of the adoption of reasonable immigration policies to the enhancement of worker welfare in the United States?

More recently, a special panel created by the National Research Council (NRC) issued in 1997 a report on the economic effects of the contemporary immigration experience of the United States.<sup>29</sup> The research had been contracted by the Commission on Immigration Reform to provide the analytical basis for the conduct of its six-year investigation of the impact of immigration on the people of the nation. The NRC report catalogued the fact that the educational attainment levels of post-1965 immigrants have steadily declined. Consequently, foreign-born workers on average, earn less than native-born workers and the earnings gap has widened over the years. Those from Latin America (including Mexico) presently account for over half of the entire foreign-born population of the nation, and they earn the lowest wages. Thus, the NRC, found no evidence of discriminatory wages being paid to immigrants. Rather, it found that immigrant workers are paid less than native-born workers because, in fact, they are less skilled and less educated. The relative declines in both skills and wages of the foreign-born population was attributed to the fact that most immigrants are coming from the poorer nations of the world, where the average wages, educational attainment, and skill levels are far below those in the United States. As a direct consequence, post-1965 immigrants are disproportionately increasing the segment of the nation’s labor supply that has the lowest human capital endowments. In the process, they are suppressing the wages of all workers in the low skilled sector of the labor market. More specifically, the study documented the fact that almost half of the decline in real wages for native-born high school dropouts (i.e., unskilled workers) from 1980–1994 could be attributed to the adverse competitive impact of unskilled foreign workers. It was for this very reason that Chair Barbara Jordan summarized CIR’s proposed recommendations on legal immigration reform by stating:

What the Commission is concerned about are the unskilled workers in our society. In an age in which unskilled workers have far too few opportunities opened to them, and in which welfare reform will require thousands more to find jobs, the Commission sees no justification for the continued entry of unskilled foreign workers.<sup>30</sup>

It was in the same macro context that the Council of Economic Advisers (CEA) to the President identified post-1965 mass immigration as being one of the contributing factors to the worsening income disparity that the nation experienced has since 1968. In 1994 the CEA explained that “immigration has increased the relative supply of less educated labor and appears to have contributed to the increasing inequality of income.”<sup>31</sup>

Since 1965, when policymakers inadvertently awakened the phenomenon of mass immigration from out of the nation’s distant past, the foreign-born population of the United States has increased by 282 percent, (from 8.5 million immigrants to 32.5 million immigrants); the civilian labor force has risen by 100 percent (from 74.4 million workers, to 148 million workers); but union membership has fallen by 11.5 percent (from 18.2 million members, to 16.1 million members) over this interval. Since 1968 (the year the Immigration Act of 1965 took full effect), the distribution of income within the nation has steadily become more unequal. The decline in union membership and the impact of mass immigration have been both identified by the CEA as contributing explanation for the worsening income inequality in the nation.<sup>32</sup>

In this environment, mass immigration has once more done what it did in the past. It has lessened the effectiveness of unions and, accordingly, diminished their attractiveness to workers. To be sure, there are other factors involved in the mem-

<sup>28</sup>Lebergott, *op. cit.* p. 164.

<sup>29</sup>National Research Council, *The New Americans: Economic, Demographic and Fiscal Effects of Immigration*, Edited by James P. Smith and Barry Edemont (Washington, D. C.: National Academy Press, 1997).

<sup>30</sup>Statement of Professor Barbara Jordan, Chair, U.S. Commission on Immigration Reform, (News Release by the U.S. Commission on Immigration Reform, Washington, D. C., June 7, 1995).

<sup>31</sup>Council of Economic Advisers, *Economic Report of the President, 1994*, (Washington, D. C.: U.S. Government Printing Office, 1994), p. 120.

<sup>32</sup>Council of Economic Advisers, *Economic Report of the President, 1995*, (Washington, D.C.: U.S. Government Printing Office, 1995), p. 182; and Council of Economic Advisers, *Economic Report . . . 1994*, *op. cit.*, p. 120 See also Daniel H. Weinberg, “A Brief Look at Postwar U.S. Income Inequality,” *Current Population Report*, P60–191, (Washington, D.C.: U.S. Bureau of the Census, 1996), p. 1.

bership decline of organized labor but mass immigration is one of the key factors.  
<sup>33</sup>

The nation's immigration laws need to be strengthened, not weakened or repealed. Employer sanctions set the moral tone for immigration policy at the workplace. The identification loopholes need to be plugged and worksite enforcement given priority, not neglected. There should not be more mass amnesties for persons who have brazenly violated the laws that, since 1986, clearly state that illegal immigrants should not be in the workplace in the first place. Such amnesties only encourage others to enter illegally and hope for another amnesty. The mass amnesty of persons who are overwhelmingly unskilled and poorly educated only adds to the competition for low wage jobs with the citizens and permanent resident aliens. Moreover, as noted earlier, mass amnesties since the onset of foreign terrorism endanger national security because they bypass meaningful background checks that are required of all legal immigrants.

Rather than pursue its past role as a careful monitor of the impact of the nation's immigration policies on the economic well-being of working people, the AFL-CIO has chosen to become an advocate for the pro-immigrant political agenda. But his strategy comes with a heavy cost. First, it means that success in the organization of immigrants will not translate into any real ability to increase significantly the wages or benefits of such organized workers. As long as the labor market continues to be flooded with low-skilled immigrant job seekers, unions will not be able to defy the market forces that will suppress upward wage pressures. Secondly, the focus on the advancement of the interests of low-skilled immigrant workers can only cause the alienation of low-skilled native-born workers who must compete for these same jobs because they lack the human capital to qualify for better ones. How long can it be until these other workers recognize that their ambitions for higher wages and better living standards cannot be achieved as long as mass immigration is allowed to flood low wage labor markets?

The fundamental issue for labor has never been: should unions organize immigrants? Of course they must, as they have always done. Rather, it is should labor seek to organize workers specifically because they are immigrants, and in the process, become a proactive advocate for immigrant causes? Or should unions do as they have in the past: seek only to organize all workers purely on the grounds of the pursuit of their economic well-being?

If labor seeks to organize immigrants on the same basis as it does native-born workers (i.e., making no distinction between the nativity of workers), there is no reason to embrace the broad range of immigrant policy issues. Indeed, the hard reality of the lessons of labor history is that the more generous the immigration policy, the worse it is for all workers in their efforts to raise wages, to improve working conditions, and to secure employment opportunities. The wisdom of economist Melvin Reder, a pioneer in the analysis of the labor market impact of immigration, should always be kept in mind:

One immigration policy inevitably reflects a kind of national selfishness of which the major beneficiaries are the least fortunate among us. We could not completely abandon the policy, even if we so desired.<sup>34</sup>

What is bad economics for working people cannot be good politics for unions or good public policy for the nation.

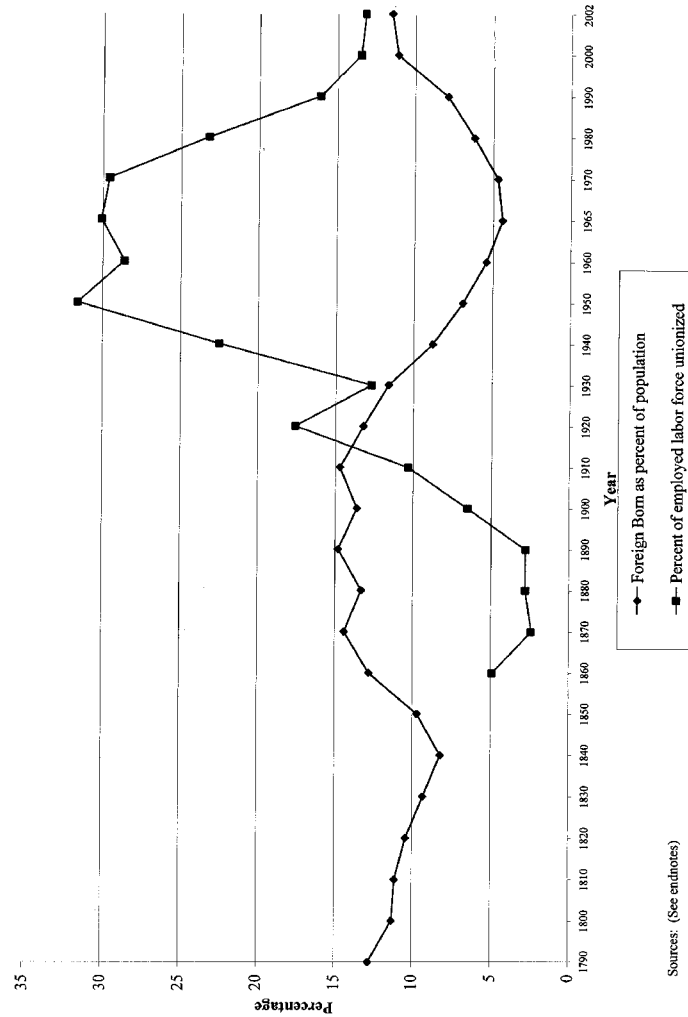
Sources for Figure 1 are:

- 1 Foreign Born Data: 790–1850: Elizabeth W. Gilbey and Edgar Hoover, "Population and Immigration," in *American Economic History*, Edited by Seymour Harris, (McGraw-Hill, 1961). Table 6; 1860–2002: U.S. Bureau of the Census (various reports).
- 2 Union Data: 870–1890: Lloyd Ulman "The Development of Trade and Labor Unions," in *American History*, Edited by Seymour Harris, (McGraw-Hill, 1961), p. 363.; 1890–1980: Leo Troy and Neil Sheflin, *U.S. Union Sourcebook*, (Industrial Relations and Information Sources, 1985). 1990–2002 U.S. Bureau of Labor Statistics (Note: The percentage is of unionized of wage and salaried employees for this latter data series).

<sup>33</sup>For elaboration, see Briggs, *Immigration and American Unionism*, *op. cit.*, Chapter 6

<sup>34</sup>Melvin W. Reder, "The Economic Consequences of Increased Immigration," *The Review of Economic and Statistics*, (August, 1963), p.31.

Figure 1. Comparisons of the Percentage of the Labor Force Who Belong to Unions  
(Since 1860) with Percentage of Population that is Foreign Born (Since 1790)



Mr. HOSTETTLER. Mr. Anderson.

**STATEMENT OF TERRY ANDERSON, THE TERRY ANDERSON SHOW, KRLA**

Mr. ANDERSON. I don't have the credentials of these gentlemen. I feel paled by their presence. But I will say this. I have an advantage that they don't have. I have lived my entire life in the streets of Los Angeles. I am a person from the streets, not homeless, but from the streets, and I have my finger on the pulse of Los Angeles and the rest of this country now.

I have a radio show. I never thought I would be there, but I am, and I am telling you folks something. There is a huge disconnect

between the people in this room and the people in this city and the rest of the people in this country. The people in this country are angry over this situation of these guest worker programs and these amnesties and all these other things that are being proposed here in Hollywood. People are angry about this.

We just threw a governor out of office in California. A Democratic State threw a Democratic governor out of office. That was not easy, and Democrats had to do that, Democrats and Republicans. Why? Because the many policies he's had, one of them was to get rid of one of our propositions, Prop 187. The other was signing a drivers' license bill for illegal aliens so that they could go to work.

Illegal aliens in the State of California are killing the economy there. Yes, they're making money for their bosses, but they're killing the worker. The worker is dying there because of this.

We had a strike with janitors in Century City and Beverly Hills back in the 1980's. The black janitors there, predominately black, were making \$13 an hour. The union was broken by the ruthless employers. They hired all illegal aliens from Central America and Mexico, and as a result, those black janitors were out on their ear. The wages then went to minimum wage and then those people went on strike and that wage then went up to \$6, \$7 an hour. That is not progress to me. And nobody stood up for those black janitors. Not one person stood up for those black janitors.

But let me say this. That is not an isolated incident. I've got an article right here that I just found. This is printed in Newsday, July 29 of this year. It talks about Pick Sweet Frozen Foods who would not hire blacks and whites. They only hired Hispanic immigrants, and there was a class action lawsuit that they lost because they would not hire black Americans, white Americans.

The people that called my radio show, blacks, whites, American Hispanics, American Asians, are angry over this issue, and you folks should understand, this is going to boil over. This is going to boil over. They are angry over this issue because nobody is listening to them.

When I've got kids in my community who cannot work at McDonald's because they don't speak Spanish, and these are black, white, and Hispanic managers who own these McDonald's and they go in to get these jobs, you know what they're told? Well, we can't hire you because our entire kitchen is Spanish speaking. Now, is that fair for a kid who's been in this country his whole life, that he cannot get a job flipping a hamburger because he can't speak a foreign language? That is not fair, and the reason why the numbers are so high is because of illegal immigration in the State of California.

I went to BWI airport last week when I was here. Everybody working in the airport was black. I was shocked. You won't find a black worker in LAX anymore. You know why? Because of the massive amounts of Hispanics that have come here, been legalized, have been gotten in on the amnesty program and whatever. Now, they have just totally displaced the black workers everywhere.

I use BWI as an example, but it's happening everywhere, folks, everywhere. The people that call my radio show, and I'm on in eight States in this country and I get calls from all 50 because I'm on the Internet, these people are angry and I don't think you peo-

ple understand it. These people are angry about this. They are being displaced in their homes, their neighborhoods. They are being displaced in the workforce and they're angry about that. And if something's not done, this country is going to boil over. That is not a threat, it's a prediction, and it's the voice of the people.

I get many, many calls from very, very liberal—I'm a very conservative person, but I get many calls from liberal Democrats who are anti-gun, anti-war, anti-abortion—I mean, excuse me, pro-abortion, and they are against this issue also. They want the immigration issue fixed because they are worried about their jobs. And it's not just the entry-level jobs, folks. Now we've got the H1Bs and all of the other jobs that are taken from the people at the bottom pushes those people up a little bit, which is good, but it also pushes them up into the next rung of employment, which hurts those people.

Illegal immigration is killing the workforce. Legal immigration is killing the workforce. And the American worker is the guy that's coming up short and I don't understand why this body of people in this city does not understand that. This is hurting the black community, it's hurting the Hispanic community, it's hurting poor whites, it is hurting the working American in this country.

And I hear story after story after story. Bricklayers, drywallers, framers, carpenters, roofers, none of them can get any jobs anymore. Body and fender men were making \$20 to \$25 an hour in Los Angeles in the 1970's, predominately black and American Hispanic workers. You will not find a body and fender person now making more than \$8 to \$10 in that city and they are all non-English-speaking Hispanic people.

The greatest man that I ever knew in my life, folks, was my father, and he taught me one thing. He says, "You must take care of home." Anthony Anderson taught me that when I was 5 years old. We are not taking care of home.

Mr. HOSTETTLER. Thank you, Mr. Anderson.

[The prepared statement of Mr. Anderson follows:]

#### PREPARED STATEMENT OF TERRY ANDERSON

In the 50 years that I have lived in South Central Los Angeles I have seen many changes—some good, some bad. But the recent changes in the last 15 years due to massive and illegal immigration have been devastating to my community. This is not a racial matter, though black Americans are hit the hardest due to the destination of the newly arrived. They come first to our community and have overwhelmed us in terms of educational quality, job displacement and neighborhood compatibility. Also hit hard are American hispanics and white blue collar workers. These are facts.

One good example is what happened to the janitors in Century City and Beverly Hills, who, in the 1980's were making upwards of \$13.00 an hour—which was good money 20 years ago. Well over 90% of them were black. Illegal alien janitors were brought in and those decent earnings fell to minimum wage. As soon as all the American workers were gone, the illegal alien and immigrant workers staged a strike and the wages increased, although nowhere near the previous level in terms of real earnings. This disparity was even noticed by some of the very people who advocate for the illegal alien and immigrant workers, as found on the World Socialist Website. Note what they said on April 26, 2000:

*Los Angeles janitors end strike*

*By John Andrews*

"On Monday, April 24, Los Angeles janitors ended their three-week strike and approved a contract that provides moderate wage increases, plus a \$500 signing bonus. The wage increases range from \$1.50 to \$1.90 over the next three years, far short

of the union's original demands for a \$3.00 raise in the same period. Starting wages for janitors will now be between \$6.90 to \$7.90 per hour.

In the 1980's janitors were making as much as \$13 an hour until the maintenance contractors smashed their union and replaced the primarily black workforce with non-union Latin American immigrant workers."

These were an immigration advocate's words, not mine and this scenario has repeated itself many times, not only in California but now in an ever growing number of states. American roofers, drywallers, pavers, framers, janitors, brick layers, carpenters, tilers, painters and body and fender workers are becoming endangered species in their own country, unable to find work in many cases and when it is found the wages are too low to exist on. Many of these displaced American workers are experts at their trades but can not compete with people coming here ready and willing to work for one third and sometimes one fourth of the prevailing wage.

I ask the question: WHEN will somebody stand up and advocate for the American worker? They have no voice! Even their elected officials have completely turned their backs on them except to use their unemployment figures to create statistical data about anonymous and faceless Americans, when it suits their political agenda. Never a mention of WHY American workers are unemployed and how the lack of immigration law enforcement has largely caused this problem.

I am a radio talkshow host in Los Angeles, California, ground zero for illegal immigration. I have gotten hundreds of radio show calls from black, white and American hispanics who tell me the same story. They have been displaced by immigrant and illegal alien workers! I have gotten thousands of emails from those who are in dire straits and have lost or are losing their employment due to massive and illegal immigration. I have gone on the streets and talked to people at random here in the black community and they all ask me the same question: WHY are our politicians and leaders letting this happen? I have no answer for them. Notice what a California politician had to say in the same World Socialist article about the janitor strike being settled:

"They called it a victory for working immigrants everywhere. Former California Assembly speaker Antonio Villaraigosa topped it all, claiming that the settlement demonstrates 'Latinos can come to this country to work and lift themselves up to reach the middle class.' "Of course, that quote was from a politician trying to make himself look good. The new janitor wage was nowhere close to middle class money. But the employer got what he wanted—very cheap workers happy to be exploited a little less than before. This is not progress.

I ask you, WHERE was the outrage over the black janitors being displaced? Where was the outcry for the disgraceful way the employer treated his "fellow" American? Why only the mention of working "immigrants" and "Latinos"? And my last question: WHERE, WHERE WHERE was the Black Caucus when those AMERICAN black workers were faced with illegal aliens (a known fact at the time) taking their jobs? WHERE? I have asked this last question many times to members of Congress. I have yet to get an answer.

This is a never ending story in this country today and yet amnesties, guest worker programs, 245i, the DREAM Act, drivers licenses for illegal aliens, in-state tuition, acceptance of the Matricula Consular card and anything else that will help dig the hole deeper for the American worker are being pushed on an unaware and ignorant populace. Everything for the immigrant and illegal alien but nothing, NOTHING for the American.

Congress should understand that people in California are angry and getting angrier. The recall of a governor was just the beginning unless something changes here in the capitol to end immigration anarchy. Our blue collar middle class is being destroyed by Washington policies—first by allowing U.S. factories to be sent overseas and now by importing millions of excess foreign workers to gut the wage levels. Just how are working class Americans supposed to live? Oh, I forgot, become a computer programmer so the H1-B's can come in and displace us yet one more time.

Los Angeles janitors end strike

[www.wsws.org/articles/2000/apr2000/1a-a26.shtml](http://www.wsws.org/articles/2000/apr2000/1a-a26.shtml)

Mr. HOSTETTLER. The chair now recognizes Mr. Griswold for 5 minutes.

#### **STATEMENT OF DANIEL T. GRISWOLD, CATO INSTITUTE**

Mr. GRISWOLD. Mr. Chairman, Congresswoman Jackson Lee, and Members of the Subcommittee, thank you for allowing the Cato In-

stitute to testify today at this hearing on the subject of immigration and American workers.

Immigration has been a blessing to the United States throughout our history and continues to bless Americans today. Immigrants play an important part in the success of America's free enterprise economy, filling important niches in the labor market. Immigrants gravitate to occupations where the gap between supply of workers and demand for them is greatest, typically in the highest-skilled and in the lowest-skilled jobs. That hourglass shape of the immigration labor pool complements the native workforce, where most workers fall in the middle in the range of skills, in terms of skills and education. As a result, immigrants do not compete directly with the vast majority of American workers.

Immigration provides a safety valve for the U.S. labor market, allowing the supply of workers to increase relatively quickly to meet rising demand. When demand falls, would-be immigrants can decide to go back home. They can decide not to come here in the first place. The result is a more efficient economy that can achieve a higher rate of sustained growth without encountering bottlenecks or inflationary pressures.

The impact of immigration on the relatively small segment of the workforce that does compete directly with immigrants is more than offset by the lower prices that all workers enjoy for the goods produced by immigrants and the higher return on investment in the United States.

The comprehensive study by the National Research Council in 1997, and it is the best study done on immigration that we have, concluded that immigration delivers, quote, "a significant positive gain," unquote, of up to \$10 billion a year to native Americans, native-born Americans, and those gains from immigration recur year after year.

America's recent history confirms that our economy can prosper during times of robust immigration. During the long expansion of the 1990's, unemployment fell to below 4 percent. Incomes rose up and down the income scale, including for the poorest one-fifth. The poverty rate fell by 3 percentage points. It fell by 10 percentage points for black Americans, and this during a time of robust immigration, both high-skilled and low-skilled.

Low-skilled immigrants benefit the U.S. economy by filling jobs for which the large majority of American workers are overqualified and unwilling to fill. Important sectors of the U.S. economy depend on low-skilled workers, including immigrants, to remain in business. Hotels and motels, restaurants, construction, light manufacturing—there are one million undocumented workers in manufacturing in the United States keeping some of these sectors going—health care, retailing, and other services.

The demand for less-skilled labor will continue to grow in the years ahead. According to the Department of Labor, the largest growth in absolute numbers over the next decade is going to be in occupations that don't require large amounts of skill. Across the economy, the Labor Department estimates that the total number of such jobs will increase by almost eight million this decade.

Meanwhile, the supply of American workers who would be satisfied with such work continues to shrink because of an aging work-

force that is getting more educated. By the end of this decade, the average age of American workers will be over 40 years old. Meanwhile, younger and older workers alike are now more educated, as the share of adult native-born men without a high school diploma has declined from over 50 percent in 1960 to below 10 percent and falling today. Immigrants provide a ready and willing source of labor to fill that growing gap on the lower rungs of the labor ladder.

Immigration does lower the wages of high school dropouts, and again, the National Research Council estimated it was one to 2 percent. I think other estimates are too high. But the combined effect of international trade and especially technological change are believed to be even greater.

Barring low-skilled immigrants from the U.S. workforce would not reverse the underlying economic trends arrayed against the least-skilled workers in American society. What those workers need for their long-term success is not less competition from immigrants, but more skills and education. In fact, competition from immigrants actually gives native-born workers an even greater incentive to stay in school and enhance their skills. Such competition actually increases the likelihood that native-born Americans will stay in school rather than drop out because immigration increases the wage premium for workers who complete their high school education.

We saw this happen in the early 20th century. Again, we had a wave of low-skilled immigration. What did native workers do? They went back to school. They stayed in high school. We had the high school movement, dramatic increase in Americans with high school degrees.

Our current dysfunctional immigration system is colliding with labor market reality and reality is winning. Since 1986, we've had a huge effort to crack down on illegal immigration with the result that more than five million undocumented workers live in a legal twilight zone. Many of them are unable to bargain effectively with employers for full market wages and benefits, relegating them to secondary markets where they're more likely to be paid in cash or have to work through subcontractors. The result is sub-market wages and sub-market working conditions for undocumented workers and for legal workers, legal immigrants alike who compete with them. As a result, employer sanctions and other enforcement efforts have acted as a kind of tax on low-skilled workers in the United States, whether immigrant or native.

In conclusion, Members of the Subcommittee and Congress have three basic options before them. We can muddle through with the status quo, leaving millions of currently illegal and mostly low-skilled immigrants in the legal shadows, unable to realize the full benefits of their labor market participation. Or we can redouble the failed policies of the past and crack down once again on illegal immigration, building more fences, assigning thousands more agents to patrol the border, and raiding more workplaces. Or we can recognize reality by fixing America's flawed immigration system so that it conforms with the realities of a free society and a free and efficient economy.



A legalized system of migration would, in one stroke, bring a huge underground market into the open. It would allow American producers in important sectors of our economy to hire the legal workers they need to grow. And it would raise wages and working conditions for millions of low-skilled workers and spur investment in human capital.

Thank you, and I look forward to your questions.

Mr. HOSTETTLER. Thank you, Mr. Griswold.

[The prepared statement of Mr. Griswold follows:]

Testimony of Daniel T. Griswold  
Cato Institute

Before the House Judiciary Subcommittee on Immigration, Claims, and Adjustments.  
Hearings on U.S. Immigration Policy  
October 30, 2003

Mr. Chairman and members of the Subcommittee, thank you for inviting the Cato Institute to testify today on the need to reform America's immigration law. Those laws are colliding with reality, and reality is winning. Today an estimated 8 million people live in the United States without legal documents, and each year the number grows by an estimated 350,000 as more enter illegally or overstay their visas. More than half of the illegal immigrants entering and already here come from Mexico.

When President Bush and President Fox of Mexico met in Washington on September 7, 2001, they "renewed their commitment to forging new and realistic approaches to migration to ensure it is safe, orderly, legal and dignified." More than two years later, our immigration system remains unsafe, disorderly, illegal, and undignified.

Since 1986, the U.S. government has labored in vain to stem the inflow of illegal immigrants. The 1986 Immigration Reform and Control Act (IRCA) required U.S. companies to check documentation of all prospective employees and, for the first time in American history, authorized fines against firms that knowingly hire illegal immigrants. To cut off the supply of unauthorized workers, it dramatically increased spending on the Border Patrol, and to address the problem of the millions of illegal aliens already in the United States, it granted permanent legal status, or "amnesty," to 2.8 million unauthorized immigrants who had been in the country continuously since January 1, 1982. The Clinton administration tried to stem the rising tide through enhanced border enforcement in a policy it dubbed "prevention through deterrence." And in 1996, the Illegal Immigration Reform and Immigrant Responsibility Act further ramped up resources for border control, including funds for additional layers of fencing in San Diego, and imposed tougher penalties on smugglers, undocumented workers, and those who overstay their visas.

By any real measure of results, the effort since 1986 to constrict illegal immigration has failed. The number of undocumented immigrants in the United States today has doubled since then, from an estimated 4 million to 8 million, with the undocumented population growing by more than 300,000 a year. The length of the U.S.-Mexican border and the volume of legal border crossings virtually guarantee that current U.S. border control policy will fail. Moreover, the U.S. government's expensive and coercive efforts to curb Mexican migration have caused a number of perverse and unintended consequences.

### Why Mexicans Migrate North

To understand why U.S. border policy has failed, we must first understand why Mexican workers migrate despite the U.S. government's expensive campaign to keep them out. Mexican migration is a complex process driven by factors other than the mere difference in wages between the two countries. Other factors, such as risk diversification and social networks, weigh more heavily in the decision to migrate than a simple calculation of the cost of migrating versus the benefits of earning a higher wage.

Workers from less developed countries immigrate to wealthier countries to diversify risk and gain access to capital. Poor countries such as Mexico typically have underdeveloped insurance and capital markets. To protect themselves from downturns in their own economy, families will send a worker to a more advanced market to send back remittances—cash transfers sent across international borders. The remittances are also a ready source of capital in markets where families cannot easily obtain bank loans and other forms of commercial credit. Remittances can provide investment funds to improve housing, pay medical bills, and finance community improvements.

Most Mexicans who migrate to the United States do not come intending to settle permanently. They come to solve temporary problems of family finance—by saving dollars and sending them back home in the form of remittances. Their goal is to rejoin their families and communities after a few months or years as sojourners in the U.S. labor market. From the end of the *Bracero* program in 1964 until the passage of the IRCA in 1986—a period during which Mexicans were practically if not legally free to cross the border and work—the flow of labor was largely circular. Douglas Massey of the University of Pennsylvania estimates that, during that period, 28 million Mexicans entered the United States and 23.4 million eventually returned to Mexico, for a net immigration total of 4.6 million. In other words, when free to enter and work in the United States, more than 80 percent of Mexican migrants still chose eventually to return to their homeland. “Given the relatively porous border” during that period, Massey concludes, “migrants knew that they could return to the United States for additional labor whenever the need arose, thus encouraging a pattern of circular rather than settled migration.”

Finally, immigration is driven by demand for labor in the U.S. market. Mexicans migrate to the United States not simply because wages are higher but because Americans want to hire them. Drawing on their social capital, migrants commonly enter the U.S. labor market after learning that specific jobs are available in specific locations. For a Mexican worker, being unemployed or underemployed is far more expensive in the United States than back in Mexico. If jobs are not available for migrants in the United States, a journey north of the border will be far less attractive no matter what the wage differential. If jobs are available, current U.S. border policy will not keep them out.

### America's Underground Labor Market

While it has failed to stop the flow of workers, the U.S. government's campaign against economic migration from Mexico has spawned an underworld of smuggling, document fraud, and other criminal activity. To make the difficult crossing through unfamiliar territory, migrants have been forced to hire the services of smuggling

networks or of individual guides known as “coyotes.” As a direct consequence of the government’s “prevention through deterrence” campaign, the share of illegal immigrants who use smugglers to enter from Mexico increased from 70 percent in the early 1990s to nearly 90 percent by the end of the decade. Fees that coyotes charge also increased during that period, from an estimated average of \$500 to \$1,500 today. And to circumvent employer sanctions once in the United States, undocumented migrants are supplied with false documents by a well-developed underground cottage industry.

By raising the cost and risk of crossing the border, the decade-and-a-half campaign to suppress Mexican migration has backfired by making it more likely that Mexican migrants, once in the United States, will stay longer before undertaking another round trip across the border. Once in the United States, illegal Mexican workers must remain longer to pay the higher cost of crossing the border, and they are reluctant to repeat the increasingly costly and dangerous trip more often than necessary. Yet the cost of crossing the border remains low enough that hundreds of thousands of Mexicans succeed in entering the United States illegally each year. Those who do are staying longer and adding to the stock of Mexican migrants already in the country. Before passage of the IRCA in 1986, the median stay in the United States of undocumented migrants from Mexico was 2.6 years; by 1998, after the border crackdown of the Clinton years, the median stay had risen to 6.6 years. A U.S. border policy aimed at reducing illegal immigration to the United States has perversely encouraged illegal immigrants to stay.

Another consequence of the suppression policy has been to divert migration flows from a few traditional, urban crossing points to more scattered rural areas—to the frustration of rural residents and the peril of migrants. Up until the mid-1980s, the large majority of Mexican migrants entered the United States via three narrow, urban gates—San Diego, California, and El Paso and Laredo, Texas. In response to enhanced border enforcement in those cities, migration patterns shifted to remote rural areas such as the Arizona-Mexico border where patrols are more scattered but conditions are also more dangerous. The diverted flow has caused headaches for Americans living in those areas as migrants have trespassed on private property, disturbed livestock, and destroyed property. The remote topography and hostile desert climate have also resulted in the deaths of thousands of migrants since the crackdown began. In 2001, 336 migrants were found dead along the border from dehydration and other causes, down slightly from 377 deaths in 2000, but up sharply from the death toll in earlier years.

Employer sanctions have artificially depressed wages of undocumented workers by reducing their bargaining power and complicating the task of hiring them. Sanctions have increased the paperwork for business and encouraged hiring through subcontractors and off-the-books cash payments. A Labor Department study on the effect of employer sanctions contained in the 1986 IRCA bill concluded that “employer sanctions are viewed as a tax on the employment of unauthorized workers and are incorporated directly into the labor demand schedule of the firms. As a result, the direct effect of employer sanctions is to lower wages.”

Because of their status, undocumented workers are less able to bargain individually with employers for a full market wage. Through the use of false documents, many illegal immigrants do find work with major employers who offer competitive market wages and benefits, but others can only find work in the secondary market where they are more likely to be paid in cash or hired through subcontractors willing to assume

the risk. The result is sub-market wages and sub-market working conditions for undocumented workers and for documented workers who compete with them in the labor market. As a result, sanctions have acted as a kind of tax on low-skilled workers in the United States, whether immigrant or native.

Furthermore, by diverting millions of Mexican workers into an underground labor economy, U.S. immigration law has discouraged those workers from investing in their human capital and has exposed them to substandard treatment by employers. Workers without legal documents have limited incentives to learn new skills because of the lingering threat of deportation and the uncertainty that causes.

Beyond economics, America's prohibition of low-skilled immigrant labor indirectly threatens the civil liberties of all Americans, native and immigrant alike. To address the failures of the employer sanctions system, critics of immigration have proposed a national identification card that would supposedly safeguard against fraud. A national ID card, however, is fraught with potential dangers to civil liberties. It could be used by the government to gather information on citizens that may have nothing to do with employment documentation. It could easily become, in the words of Cato scholar Adam Thierer, "a domestic passport that citizens are required to produce for the most routine daily tasks."

A related proposal would be to create a centralized government database of legally qualified workers. Before hiring an individual, the employer would be required to verify that the worker is listed in the computerized database as being authorized to work in the United States. An American citizen's ability to work and support his or her family would be dependent upon the worker's file being accessible in a computerized government database—a database vulnerable to hackers, human error, technical failure, and governmental abuse. In pursuit of a questionable policy, Americans would be forced to surrender an important aspect of their freedom.

#### **Benefits of an Open, Integrated Labor Market**

The migration of Mexican workers to the United States is a rational and mutually beneficial response to underlying economic needs on both sides of the border. Immigration, like the international flow of goods, services, and capital, typically benefits most people in both the sending and receiving countries.

Immigration benefits the U.S. economy by providing workers to fill gaps in the labor market. Immigrants tend to be disproportionately represented in occupations where the gap between the supply of workers and the demand for them is greatest, typically in the highest-skilled and lowest-skilled jobs. That hourglass shape of the immigration labor pool complements the native workforce, where a much larger share of workers falls in the middle range in terms of skills and education. As a result, immigrants do not typically compete for the kinds of jobs held by the vast majority of American workers. Instead, immigrants migrate to those segments of the job market where most Americans are either over- or under-qualified.

Immigration provides a safety valve for the U.S. labor market, allowing the supply of workers to increase relatively quickly to meet rising demand. In a closed domestic market, the size of the labor force is relatively fixed in the short run. Immigration allows new workers to enter the labor force rapidly to fill a variety of

positions in response to rising demand for labor. When demand falls, would-be immigrants can decide not to enter, and those already here can decide to return home. The result is a more efficient economy that can achieve a higher rate of sustainable growth without encountering bottlenecks or stoking inflationary pressures.

America's recent history confirms that our economy can prosper during times of robust immigration. During the long boom of the 1990s, and especially in the second half of the decade, the national unemployment rate fell below 4 percent and real wages rose up and down the income scale during a time of high immigration levels. According to a study by the Council of Economic Advisers, household incomes rose strongly from 1993 through 1999 across all income groups, including the poorest one-fifth of American households. America's poverty rate fell by three percentage points during the 1990s, and almost 10 percentage points among African Americans. Those remarkable gains occurred during a decade of large immigration inflows, including low-skilled immigrants from Mexico.

Low-skilled immigrants, a category that describes most migrants from Mexico, benefit the U.S. economy by filling jobs for which the large majority of American workers are overqualified and that they're unwilling to fill. Important sectors of the U.S. economy have turned to low-skilled immigrant workers, documented and undocumented, to fill persistent job vacancies. Hotels and motels, restaurants, construction, manufacturing, health care, retailing, and other services are major employers of low-skilled immigrant labor.

The demand for less-skilled labor will continue to grow in the years ahead. According to the Department of Labor, while the fastest-growing occupations in the next decade in percentage terms will require high degrees of skill and education, the largest growth in absolute numbers will be in those categories that require only "short-term on-the-job training" of one month or less. In fact, of the top 30 categories with the largest expected job growth between 2000 and 2010, more than half fall into that least-skilled category. Those categories include: combined food preparation and servicing workers, including fast food; waiters and waitresses; retail salespersons; cashiers; security guards; nursing aides, orderlies, and attendants; janitors and cleaners; home health aides; manual laborers and freight, stock, and materials movers; landscaping and grounds keeping workers; and manual packers and packagers—all occupations where low-skilled immigrants from Mexico can be expected to help meet the rising demand for workers. Across the U.S. economy, the Labor Department estimates that the total number of jobs requiring only short-term training will increase from 53.2 million in 2000 to 60.9 million by 2010, a net increase of 7.7 million jobs.

Meanwhile, the supply of American workers suitable for such work continues to fall because of an aging workforce and rising education levels. The median age of American workers continues to increase as the large cohort of Baby Boomers approaches retirement age. From 1990 to 2010, the median age of U.S. workers is expected to increase from 36.6 years old to 40.6. Younger and older workers alike are now more educated as the share of adult native-born men without a high school diploma has plunged, from 53.6 percent in 1960 to 9.0 percent in 1998. During that same period, the share with college degrees has gone up from 11.4 percent to 29.8 percent.

With the number of low-skilled jobs expected to grow by more than 700,000 a year, and a shrinking pool of Americans willing to fill those jobs, Mexican migrants

provide a ready and willing source of labor to fill the growing gap between demand and supply on the lower rungs of the labor ladder.

Legalization of undocumented workers would restore the normal incentive for them to upgrade their skills and would increase their bargaining power with employers. As evidence, a 1995 Labor Department study found that undocumented workers who were legalized in the 1980s as part of the IRCA "amnesty" provisions responded by investing in their skills and education. "For many, legalization appears to have been a turning point. Suddenly, there was a surge of investment in language skills, education, and training," the study found. Specifically, 43 percent of Mexican men undertook some kind of skill enhancement training following legalization, "more than a doubling of the previous rate of human-capital accumulation for most origin groups."

Another beneficial consequence was an increase in wages paid to newly legalized workers. The same study found that real wages paid to undocumented workers were flat for most of the decade until 1987–88, but then rose 15 percent in the five years following legalization. Legalization put previously undocumented workers on an equal footing with documented workers, allowing them to more credibly withhold their labor or consider other job offers instead of forcing them to accept what a limited group of employers were offering. Legalization eliminated the need for off-the-books payments, middlemen, and other subterfuges that had acted as a tax on their labor.

A final benefit of legalized immigration would be the almost certain reduction of illegal immigration. If a wide enough channel were opened so that the supply of workers from Mexico could be legally matched with the demand for their labor in the United States, the rationale for the current illegal flow of Mexican migrants would vanish. Why would Mexican workers bear the cost and risk of sneaking across the border, and then pay a tax on their wages and working conditions for their undocumented status, when they could instead enter the country and work legally? The experience of the *Bracero* program demonstrates that workers prefer the legal channel. Faced with large-scale illegal immigration in the early 1950s, the Immigration and Naturalization Service more than doubled the number of *Bracero* visas, enough to meet growing demand, especially in the agricultural sector. The result: Illegal immigration from Mexico plummeted to almost nothing during the second half of the decade. Illegal migration was supplanted by legal migration.

#### Concerns about Low-skilled Migration

In the debate so far over Mexican migration, skeptics warn that legalizing Mexican migration will hurt low-skilled native-born Americans; burden taxpayers; reward lawbreaking; and compromise border security as we fight global terrorism. None of these concerns can be ignored, but each has to one degree or another been exaggerated or misunderstood, or can be addressed through the right policies. None of them, in the final analysis, outweighs the broad benefits of legalization.

One fear is that legal Mexican migration will hurt poor families by driving down wages for native-born American adults who lack a high school diploma. The impact of legalization on low-skilled American workers would be mitigated, however, if it were to encourage more circular migration rather than an increase in net migration. And because newly legalized immigrants would be able to exert more bargaining power in the labor

market, their own wages and those of competing low-skilled workers might actually increase after legalization, as they did after amnesty in the 1980s.

In fact, competition from immigrants actually gives native-born high school dropouts an even greater incentive to complete their education and enhance their skills. Competition from the last “Great Migration” of less-skilled immigrants a century ago was one of the major reasons for the dramatic increase in the high school graduation rate between 1910 and 1930, according to one study. As James P. Smith, chairman of the panel that authored the NRC report, told the Senate Immigration Subcommittee in 1997, “The competition created by immigration increases the likelihood that native-born Americans will stay in school rather than drop out. As we documented in the report, immigration increases the wages of native-born high school graduates relative to native-born high school dropouts. This bigger wage premium from completing high school gives native-born Americans an extra incentive to get their high school diploma. If young native-born Americans want to avoid competing with immigrant workers—my advice is simple—get your high school diploma.”

Long-time opponents of immigration have seized on September 11 to argue against legalization of Mexican migration, and in favor of drastic cuts in existing levels of legal immigration. But the connection between the September 11 attacks and illegal immigration from Mexico is tenuous. None of the 19 hijackers entered the country illegally or as immigrants. They all arrived in the United States with valid temporary nonimmigrant tourist or student visas. None of them arrived via Mexico. None of them were Mexican. Sealing the Mexican border with a three-tiered, 2,000-mile replica of the Berlin Wall patrolled by thousands of U.S. troops would not have kept a single September 11 terrorist out of the United States.

Members of Congress rightly understood, when they passed the Enhanced Border Security and Visa Entry Reform Act of 2002, that Mexican migration is not a threat to national security. Notably absent from the bill were any provisions rolling back levels of legal immigration or bolstering efforts to curb undocumented migration from Mexico. Indeed, legalizing and regularizing the movement of workers across the U.S.-Mexican border could enhance our national security by bringing much of the underground labor market into the open, encouraging newly documented workers to cooperate fully with law enforcement officials, and freeing resources for border security and the war on terrorism.

Legalization of Mexican migration would drain a large part of the underground swamp that facilitates illegal immigration. It would reduce the demand for fraudulent documents, which in turn would reduce the supply available for terrorists trying to operate surreptitiously inside the United States. It would encourage millions of currently undocumented workers to make themselves known to authorities by registering with the government, reducing cover for terrorists who manage to enter the country and overstay their visas.

Legalization would allow the government to devote more of its resources to keeping terrorists out of the country. Before September 11, the U.S. government had stationed more than four times as many border enforcement agents on the Mexican border as along the Canadian border, even though the Canadian border is more than twice as long and has been the preferred border of entry for Middle Easterners trying to enter the United States illegally. A system that allows Mexican workers to enter the United

States legally would free up thousands of government personnel and save an estimated \$3 billion a year—resources that would then be available to fight terrorism.

A final major concern about legalization is that it would reward law breaking. Critics argue that widespread violation of our duly enacted immigration statutes undermines the rule of law. Of course, laws should be obeyed, but laws should also be in fundamental harmony with how most people choose to live their daily lives. When large numbers of otherwise normal and law-abiding people routinely violate a law, it signals that the law itself may be flawed. To argue that illegal immigration is bad merely because it is illegal avoids the policy question of whether it should be illegal in the first place.

American history is replete with misguided laws that proved to be unenforceable and were finally abandoned—for example, 19th century rules against “extralegal” land settlement, Prohibition of alcohol in the 1920s and early 1930s, and the federally mandated 55 miles per hour speed limit. In each case, the government could have launched a massive and expensive effort to crack down on all the millions of people violating those laws, but instead Congress eventually changed the law to conform with reality.

In the 19th century, America’s frontier was settled largely by illegal squatters. In his recent book, *The Mystery of Capital*, economist Hernando de Soto describes how those so-called “extralegals” of their day began to farm, mine, and otherwise improve land to which they did not have strict legal title. After failed attempts by the authorities to destroy their cabins and evict them—in a misguided zeal to enforce unworkable property laws—federal and state officials finally relented, changed the laws, and issued legal titles based on improvements made to the property. As de Soto wisely concluded: “The law must be compatible with how people actually arrange their lives.”

In sum, the U.S. government should fix the problem of illegal Mexican immigration in the same way it fixed illegal speeding at 65 mph on American highways, illegal consumption of alcohol during Prohibition, and illegal settlement of the American frontier—by changing the law and making those inherently non-criminal activities legal.

#### **Making Work Legal**

The realities of the North American labor market demand a system of legal, regulated migration that conforms to how millions of people on both sides of the border “actually arrange their lives.” A reformed immigration system must accomplish three broad goals: creating a legal channel for future workers to enter the United States, granting legal status for workers already here, and sharply reducing illegal immigration.

A temporary work visa should be created that would allow Mexican nationals to remain in the United States to work for a limited period. The visa could authorize work for a definite period, perhaps three years, and would be renewable for an additional limited period; would allow multiple entries for as long as the visa was valid; would allow complete mobility between employers and sectors of the U.S. economy; and would entitle the holder to “national treatment.”

Mobility is essential so that workers can exercise full freedom to change jobs to realize maximum pay and working conditions, under the theory that a worker’s best protection against below-market pay and working conditions is the ability to leave for a better offer. On an economy-wide scale, full mobility would allow the supply of labor to



shift between sectors to meet changing demand. The visa must also confer on the immigrant worker national treatment, that is, the same legal protections extended by law to native workers. That would ensure that temporary workers do not enjoy any unfair legal advantage or suffer any legal disadvantage compared to other workers.

Mobility and national treatment will protect immigrant workers from the real and perceived abuses of past “guest worker” programs that tied workers to specified employers. The fatal flaw of the *Bracero* program and other proposed “guest worker” programs is that they tie workers to specific employers and industries, making visa holders overly dependent on the good will of their employers. The best model for the program is not the current H2-A or H2-B visas, which tie workers to certain employers, but the standard employment authorization document known as Form I-688B, which is already issued to foreign-born residents entitled to work in the United States. Unlike the H2 programs, Form I-688B allows full mobility among employers and sectors.

A program should be created to allow undocumented workers already in the United States to earn legal status based on years of work and other productive behavior. Undocumented workers already in the United States should be issued temporary work visas provided they register with the government and do not pose a threat to our internal or national security. Those who have lived and worked in the United States for more than a certain period should be eligible to apply for permanent residence status and, ultimately, citizenship.

Legalizing undocumented workers already in the United States would not be another “amnesty” such as that granted by IRCA in the 1980s. Undocumented workers should not be granted automatic permanent residence status, and instead should be issued temporary worker visas, valid for a limited period only. They should be assessed a one-time fine of a significant but not prohibitive amount. To gain permanent residence status, they would then need to apply for permanent residency through existing channels. They would not receive preferential treatment but would be processed along with other legally qualified applicants for permanent residency.

### Conclusion

U.S. immigration law has been overwhelmed by economic reality. It has made lawbreakers out of millions of hard-working, otherwise law-abiding people, immigrant workers and native employers alike, whose only “crime” is a desire to work together in our market economy for mutual advantage.

Members of the committee and Congress have three basic options before them in confronting illegal immigration. We can muddle through with the status quo, leaving millions of workers and their families in the legal shadows, afraid to make themselves known to authorities, unable to realize the full benefits of their labor in the marketplace, and hesitant to return to their home country. The status quo mocks the rule of law by maintaining an immigration system in fundamental conflict with the laws of economics and the legitimate aspirations of millions of people.

Or we can crack down, once again, on illegal immigration. The federal government could build a 2,000-mile, three-tiered fence from San Diego to Brownsville and reassign or hire tens of thousands of agents to patrol it. It could deploy thousands of additional government agents internally to raid even more workplaces, fine employers,

and hunt down and deport the millions of undocumented workers living and working in the United States—no matter how long or deep their ties to work, family, and community. It could force every American citizen and noncitizen alike to carry a national ID card or register in a national database as a precondition to earning a living. But that option would impose a high cost in tax dollars, economic output, and freedom. It would divert resources from the national effort to combat terrorism, and, like similar efforts before, would likely fail.

Or we can recognize reality by fixing America's flawed immigration system so that it conforms to the realities of a free society and a free and efficient economy. A legalized system of Mexican migration would, in one stroke, bring a huge underground market into the open. It would allow American producers in important sectors of our economy to hire the workers they need to grow. It would raise wages and working conditions for millions of low-skilled workers and spur investment in human capital. It would free resources and personnel for the war on terrorism.

President Bush and leaders of both parties in Congress should return to the task of reforming America's dysfunctional immigration system into one that is economic, humane, and compatible with how Americans actually arrange their lives.

Mr. HOSTETTLER. The floor is now voting. We have a single—have a series of two votes. So the Subcommittee will recess and reconvene shortly thereafter.

[Recess.]

Mr. HOSTETTLER. The Subcommittee will come to order, reconvene. We will now go to questions for 5 minutes from members of the panel.

Dr. Camarota, is it true that American workers are willing to move across State and across country to leave areas where an excess of immigrant labor has led to a deterioration in employment opportunities? And secondly, to follow up on that, have we, for ex-

ample, seen an exodus of native workers from California and elsewhere into the country?

Mr. CAMAROTA. There certainly is research suggesting that that is going on, particularly among people at the bottom end of the labor market. There is a net out-migration of native workers from States like New Jersey, New York, California, Illinois, very heavy immigration States. In Florida, for example, what you see is a lot of movement of workers from Southern Florida to Central and Northern Florida, where there is less immigrant competition.

So yes, there does seem to be a movement of natives out. What that means is that the effects of immigration are generally transmitted pretty quickly throughout the country, given the nature of our national economy. So if you are looking for labor market impacts, you can't look at just the cities where there's a lot of immigrants and where there's few immigrants. You would have to try to measure it across the nation.

Mr. HOSTETTLER. Because ultimately, in a place where there's saturation of the labor market, individuals move out of that area where saturations take place to find opportunities elsewhere.

Mr. CAMAROTA. Right, and the effects are moved out. Also, because of the trade of goods and services. So if you've got someone who's working in manufacturing in Los Angeles, he's in competition, obviously, with someone working in manufacturing in Pittsburgh, even though—you know, that's another way. And the movement of capital, also, in pursuit of labor, also should transmit the effects of immigration throughout the country pretty quickly.

Mr. HOSTETTLER. And with regard to your example of Los Angeles and Pittsburgh, you have a situation in Los Angeles, high immigration levels, Pittsburgh, lower, significantly lower immigration levels, and so there is wage competition, as well, as a result of that, where wages may be impacted in Pittsburgh even though Pittsburgh is a relatively much lower immigration location.

Mr. CAMAROTA. That's right. The effects should be transferred through the integrated nature of our national economy, and that's what the National Academy of Sciences concluded in its research.

Mr. HOSTETTLER. Very good. Professor Briggs, you mention a number of reasons why American labor unions have abandoned their longstanding policy of opposition to mass immigration. One part of your testimony, you might have touched on this, but could a reason be that the unions view immigrants as their most promising source of new membership?

Mr. BRIGGS. Well, again, I would say it's the leadership that's actually changed the position of the AFL-CIO. I'm not sure that many of the members actually agree with it, but their views, I think, are not taken into account quite often by the leadership on these issues. This has become a politically driven issue in which the unions, right at the end of my testimony, I was trying to say are becoming more interested with other groups that are coalition groups and coalition politics to support a broader agenda of issues when the outcome seems predetermined. That is, politicians don't seem to want to address immigration.

So why fight for immigration issues? Join the coalition and write off, unfortunately, a large number of workers who don't belong to unions who all the literature shows are adversely affected by immi-

gration, write off their interests. I think it is like taking a shortcut through quicksand. It's a disastrous policy for the labor movement.

Mr. HOSTETTLER. Thank you for making the distinction between rank-and-file union members and leadership. As the son of a member of the International Brotherhood of Electrical Workers, I can tell you that that was often the case in our household.

Let me ask you a question with regard to labor in general. There are many who have suggested that this influx of labor from immigration, especially illegal immigration, is because that there are certain jobs that Americans will not do. Now, with respect to the jobs themselves as opposed to the wages, are there jobs that Americans will not do?

Mr. BRIGGS. Well, this is—in economics, there cannot be jobs that people do not do. It depends on what the wage rate is.

Mr. HOSTETTLER. Right.

Mr. BRIGGS. And there's a wage rate where people will do almost anything. And consequently, it's simply not true that people won't do these types of jobs. I mean, it's hard to know what occupation we're even talking about unless you're talking about low wages or suppressed working conditions.

We all talk about the rural workers, for example. The problem with the rural labor market is you have simply taken rural workers out of competition with the non-agricultural sector. I mean, the first thing I would do if I was concerned about a shortage of workers in the agricultural sector is give National Labor Relations Act unions protection to workers in the farm, in agriculture. They're exempt from the National Labor Relations Act. And then we'll find out whether or not people don't want to do agriculture work.

You make it so these jobs are truly inferior jobs and then the market will simply take people away from them if they have an alternative source of labor to do that kind of work. And unfortunately, immigration makes it a self-fulfilling prophecy that people will not do these jobs at wage rates and working conditions that are not competitive with the rest of the economy. That doesn't mean these jobs are useless. They're important types of jobs and they should have rising wages associated with them.

Mr. HOSTETTLER. Thank you, Professor Briggs.

At this point, the chair recognizes the gentleman from—

Ms. JACKSON LEE. I am yielding to the gentleman.

Mr. HOSTETTLER.—the gentleman from Detroit—

Ms. JACKSON LEE.—from Detroit, the distinguished Ranking Member.

Mr. HOSTETTLER.—for 5 minutes.

Mr. CONYERS. Thank you both for your courtesy. This is quite a committee of witnesses we have here. Of course, Mr. Griswold is from Cato. Cato is derived from the Libertarians. Libertarians support less Government, so the fewer rules about anything and regulations the better for you. I must say, you've been pretty consistent here today.

Mr. GRISWOLD. You're welcome.

Mr. CONYERS. Mr. Anderson, I don't know why you should feel in any way diminished amongst these learned people about the subject matter that brings us here. The one thing you've got that they haven't is you've got a radio program and I'll bet you we're

going to hear a lot about this program—about this hearing on your program.

Mr. ANDERSON. I guarantee it.

Mr. CONYERS. I knew you were going to. Turn on your mike. I didn't have any doubt that you weren't going to do that. And by the way, you sound a little bit like the angry callers that you get.

Mr. ANDERSON. I was once one.

Mr. CONYERS. You're not angry anymore?

Mr. ANDERSON. Yes, I'm angry.

Mr. CONYERS. Okay.

Mr. ANDERSON. Absolutely.

Mr. CONYERS. All right. Now, Professor Briggs, you've got to be the first labor professor that I have ever heard utter the words that the labor movement has done more harm to workers than anything else, anybody else.

Mr. BRIGGS. I don't think I said that.

Mr. CONYERS. What did you say?

Mr. BRIGGS. I said the change in position, the political position, is harming people that have traditionally looked for the labor movement for protection. The labor movement has always been the greatest protector of all workers in the past. Now, they have taken a position that has changed—for their own special interest that is harmful for the interest of the working people in this country by pushing for repeal of employer sanctions. That can't possibly be in the interest of American workers. Pushing for a guest worker program can't possibly be in their interest. Drivers' licenses for illegal immigrants can't possibly be.

None of these things are in the interest of American workers. In the past, AFL-CIO, or whatever organizations preceded them, always defended the interests of all working people, whether or not they were in unions or not, and that was the great thing the American labor movement did. But I've never said AFL-CIO was against the interest of American workers except when it comes to this issue of immigration, where suddenly 150 years of wisdom is thrown out by a new group. It doesn't make any sense.

Mr. CONYERS. Okay. Well, I sorely miss the presence of a voice of labor here at this table because the labor movement has a huge role to play in this. As close as you get to the labor movement in your professional life, that's not quite the same thing. As a matter of fact, I'm sure that any spokesperson for the labor movement would probably not agree with you entirely and maybe not at all. So this creates a rather considerable void in our discussion here and we have to consider the fact that has not been mentioned that the laws around immigration, the rules and regulations are not being enforced.

Mr. BRIGGS. Exactly.

Mr. CONYERS. Well, you agree with me. Of course, you've only had 5 minutes, so that's not a great help to you because your side isn't—you can't tell all about this subject matter in just the few minutes that you're allowed to summarize your paper.

But I see one of the really important considerations in this tremendous complex subject about immigration, immigration workers, immigration policy, and how it affects American workers as one that we really need to study more, and I hope that the Chairman

and the Ranking Member will join with me in persuading the Chairman of the Committee, Jim Sensenbrenner, that there ought to be further examinations in this field. This is a good beginning, but we're not going to get very far.

I'm going to be introducing a number of studies into the record that will not be available to people that have just tuned in on this hearing. I'd like to make them available to all of the witnesses and I would appreciate any feedback that you might have in that regard.

Are there any comments you would like to leave with me before I take my leave? Yes, sir, Mr. Griswold?

Mr. GRISWOLD. I just want to address a factual matter.

Mr. CONYERS. All right.

Mr. GRISWOLD. Several of the witnesses have mentioned the National Research Council study, and for good reason. I think it's the best thing that's been done on immigration. Nobody can question the motives of the people who undertook the study. The study found that the vast majority of American workers benefit from immigration. They found—let me just read a very brief statement. It said the one group that appears to suffer significant negative effects from immigrants are earlier waves of immigrants, according to many studies.

So if the labor movement has come around, and I'm glad they have in the last decade, that immigration is generally good, they are not in any way betraying the interests of the vast majority of American workers. Immigration is in the interests of the large majority of American workers. Thank you.

Mr. BRIGGS. Could I say something there?

Mr. CONYERS. Yes, Professor.

Mr. BRIGGS. That's the half-loaf. If he goes on two or three pages on, they talk about the costs of immigration and the costs in the NCR study, which I agree is the best study ever done, exceeded the benefits. What that study said, was that the benefit is \$1 to \$10 billion. In an \$8 trillion economy, that's not much benefit. On the other hand, the costs were \$14 to \$20 billion. That's not much, either, in a great big economy. But the bottom line is of that report, the message is that the costs exceeded the benefits.

And for every person in California, they said every native-born person in California, there's a \$1,200 tax to support the immigrants, the foreign-born in the State of California above and beyond the taxes that the people in California pay. A balanced presentation would tell you that.

Well, he did exactly what the New York Times did. The New York Times did that, too. That's why they talk about the pro-immigrant lobby. They held up that one. Here are the benefits of immigration. But, two paragraphs later, the NRC say here are the costs, the fiscal, and social and economic costs of immigration and they exceeded the benefits. That is the NRC findings.

And Barbara Jordan, as I quoted here in my testimony, is unequivocal when she says the Commission sees no justification for the continued entry of unskilled foreign workers, period. How much clearer can it be? That was the day that they issued the report. I will read it again. There is no justification for the continued entry of unskilled foreign workers, period, and that was getting them out

of the legal immigration system. And she also said getting them out of the illegal immigration system. She was pushing for enforcement, pushing for enforcement, and that's what we desperately need. If we actually get the enforcement of our immigration laws, we wouldn't need to really be talking about a lot of other of these things.

Mr. CONYERS. Chairman, I thank you so much.

Mr. HOSTETTLER. I thank the gentleman.

The chair now recognizes the gentleman from Arizona, Mr. Flake, for 5 minutes.

Mr. FLAKE. I thank the Chairman. Thank you for holding this hearing, and the witnesses, it has been very informative.

Mr. Griswold, do you want to respond? Is that a fair characterization of the NRC summary?

Mr. GRISWOLD. I don't believe it is. First, the Commission is something distinct from the National Research Council and what my colleague, Mr. Briggs, was summarizing was the Commission. The National Research Council, and by the way, the authors of that study have testified before Congress and have documented what I'm about to say, the conclusion was that immigration delivers, quote, "a significant positive gain," unquote, to the U.S. economy. It wouldn't be professionally ethical for them to say it delivers a positive gain, and oh, by the way, the costs exceed the gain. No, they're talking at a net benefit to natives.

Now, I agree, it is not a big number in a \$10 trillion economy or \$7.6 trillion when they did the study. But it is positive and I believe we get other benefits from immigration. But no, I think it mischaracterizes the National Research Council study to say that it concluded that immigration is a cost to the U.S. economy. They concluded it was a significant positive gain.

Mr. FLAKE. Thank you. Mr. Briggs, you mentioned in your testimony who we should and shouldn't—well, actually, you just mentioned who we shouldn't listen to in this debate and you listed business groups, religious groups, ethnic groups, and several others I couldn't write quickly enough.

Mr. BRIGGS. Yes.

Mr. FLAKE. Who, if not business groups and others, should we talk about employment?

Mr. BRIGGS. That is what the Hesburgh Commission, which was the first commission, when they looked at this, this was their conclusion that we should discuss immigration policy on the merits and the research that we can find about it without listening to the people who have a special dog in that fight, which all these people do, a particular dog. They want a particular outcome and consequently they see particular benefits.

The Hesburgh Commission said we have to look at what the studies, what the research says and try to impartially make a discussion of what the immigration policy should be, and that's what I think they did. Barbara Jordan, and her Commission did the same thing. The Jordan Commission said the level of immigration was too high. It should be reduced. When it read the report NRC did for the Jordan Commission, they said immigration should be reduced and they said there should be no unskilled immigration and—

Mr. FLAKE. I guess I misunderstood what you are saying. I guess I took what you were saying as we shouldn't listen to these groups—

Mr. BRIGGS. No, no. They have input, but you look at what is the research on these issues and there's been a lot of history now, and the NRC study is an excellent study, I agree. But it does say that the costs have exceeded the benefits.

Mr. FLAKE. Mr. Camarota, you mentioned that there are plenty of workers here to satisfy the labor supply. Is that—I believe you were speaking in the aggregate. Is that true also in pockets across the country? Are you saying that there are jobs for everyone, everywhere, employers are offering them?

Mr. CAMAROTA. Well, obviously the economy is flexible, so people can move in or move out of an area in response to labor. We know that there's over 100 million people, I believe, in the census who live and work in the State they weren't born. Movement is very common. So that's one thing.

If wages are allowed to rise in an area, you generally attract more workers. So that would be one mechanism.

The other way in which you could fill labor market needs is through increased productivity. Just to give you an example in agriculture, I know something you have a lot of interest in, in Australia, they have a very competitive agricultural system without importing a lot of unskilled labor, but they use the machines for the harvesting and so forth. And the beauty of that is, the workers, the modest number of workers that are employed tend to make more money, are employed year-round, and you avoid the fiscal costs of bringing in unskilled workers.

Mr. FLAKE. And some sectors of agriculture obviously lend itself to that and some do not. In Yuma, Arizona, for example, 80 percent of the nation's lettuce, I think, is produced there in the winter months. In parts of it, there's no way to do mechanized labor. Is it your contention that they can find sufficient labor without some type of worker program to satisfy their labor demands?

Mr. CAMAROTA. Here is what would likely happen if there was less illegal alien labor. You would move more to the machines that harvest lettuce. They do that a lot in Europe and they go to more bag lettuce than head lettuce, modest changes in the way stuff is produced. But in the long run, it would probably be better for the U.S. economy, better for U.S. workers, and better for the taxpayers, because I, for one, think wages should probably be much higher for people at the bottom end. But that's a value judgment, I recognize it.

Mr. FLAKE. Mr. Anderson and then Mr. Griswold, in the short time that is quickly expiring. Mr. Anderson, where do we go from here? Where should we go from here? Mr. Griswold listed kind of three options. Do you think that those are basically saying that we muddle through as we are now with kind of spotty enforcement here and there and not having any legal framework for people to come here, or redouble our efforts on the border itself, or recognize reality and do something else? What do you advocate?

Mr. ANDERSON. I like that word reality. It means different things to different people, but reality to most politicians is tax dollars and what they think is right for the people. The reality of the people



is usually something else, and if you people would listen to people on maybe a little more local level, you would hear the anger in people's voice.

Mr. Conyers asked me, was I angry, and I am angry. I'm angry because I've seen what's happening to my city, to my State. My solution, the answer to your question and Ms. Jackson Lee when she talked about solutions, is this. We are a nation of laws. They say we're a nation of immigrants. Well, we were once a nation of slavers. My great-grandfather was a slave. We were a nation of whalers. Those are two things we don't do anymore because they are unproductive for the country, okay.

But when those slaves were there, the Southerners said, well, we can't make it without slaves. We'll never make it. We'll never be able to harvest our crops without these slaves. Well, guess what. They did. And like today, we've gotten rid of slavery, we've gotten rid of whaling.

I'm not saying to get rid of immigration. I am very pro-immigration within reasonable numbers, traditional numbers. But illegal immigration is a slap in the face to every American citizen—every American citizen. It is also a slap in the face to every legal immigrant who has come here and those who are standing in line in some foreign country waiting to come.

I know hundreds of people personally that have e-mailed me from Mexico and told me that they are waiting for their visas and they can't get one because they're way down on the lottery there. But they haven't come here illegally and I respect them. But for us to give amnesty to these people, for us to give a 245(i) to these people, for us to just turn around and make it legal because the reality is that they're here, that's a slap in the face to the American and to the immigrant that has come here legally.

I say this. We must stop letting these laws go like we are. We have to enforce these laws. We must enforce the laws of this country. If you are here illegally, I'm not saying we're going to pack all 15 million of them up in 1 day. No. But we must stop giving them services. We must start cracking down on these employers that hire them. We must start cracking down on people when they go for welfare. We must stop giving them drivers' licenses. And more than anything else, we must make them understand that they are not welcome here until they come here legally.

Mr. HOSTETTLER. I thank the gentleman.

The chair now recognizes the gentlelady from Texas, Ms. Jackson Lee, for 5 minutes.

Ms. JACKSON LEE. Thank you, Mr. Chairman, very much. And to the witnesses, we have moved into the high-tech world, and so when I was out of the room, I was able to—with a meeting that was occurring—I was able to hear your testimony, so I thank you very much again for providing us with your insight and I thank the Chairman for his indulgence as I just offer a few comments and then pose some questions that I think will be very helpful.

Mr. Anderson, you had it right that we are looking for solutions. We wouldn't have the witnesses here today if I believed this Committee was not serious. But, in fact, we recognized that we were overdue in some of this work.

Having sat on this Committee for a number of years, I have been in such hearings previously, and frankly was engaged—I think I even brought one of the witnesses, happened to be an African American male engineer. This was during the height of the high-tech boom when I raised the question regarding balancing H1Bs and our industry. When I say the industry, the high-tech industry, Silicon Valley and other places—I don't want to highlight just that—could utilize bright American talent. Balance that issue with my good friends from India and other places who are, in fact, my good friends and who sought to come to this country.

So I will again put on the record that that legislation that we worked in a bipartisan way to carve out a big piece dealing with American workers was hijacked on the floor of the House in the midnight hours, and interestingly enough, a number of us, I think, were going to a funeral and we got word on the airplane this bill had come up in the midnight hour and replaced your bill—when I say your, our bill where we responded to that issue, and replaced it with no restraints. Of course, the economy has changed, and I have always tried to mind my manners and not say, “I told you so.”

But these are issues that I think are not in conflict with some of the concerns that I've raised about solutions, and let me just raise one other point before I begin to pose questions.

We were on the pathway to be a problem solver pre- the tragedy of 9/11 when President Bush and President Vincente Fox were recognizing sort of the complexity of where we found ourselves, and certainly some of the witnesses may not agree, but they were on the road to a solution, or let's sit down and find out how we balance what many have called this influx, this flow, this movement.

And tragically, we mixed apples and oranges, or maybe apples and onions because the tragedy of 9/11 is a question of a broken system that parallels this whole question of access and legalization. Visas, the inability to, at that time, have a list, the lack of intelligence communications between the FBI and CIA, that all was involved in the enormous tragedy, which is still a broken system, dealing with 9/11.

But it did not answer the question that was on the road to some sort of deliberations of some of the issues that you all have raised in ways that I would agree and disagree. Some of it, I vigorously disagree with, respect your right to say it. But that has never been picked up and that's where our problem is.

We have not confronted this issue head on. We are still mixing apples and onions about terrorism versus getting a hold of the crisis that many of us believe, and we see it in different ways, but that is occurring. And I will say this. Immigration does not equate to terrorism. It may mean many things.

Now, Mr. Griswold, let me say to you that I am glad you are here. Let me be very frank that we worked very hard to get a representative from the labor community, and the reason we looked to do that was not discounting of the work that you've done, and you've been very honest about it. It was because of the fact that they are now seeing these very people in real life.

They see them every day, and, of course, unions have been associated over the years, and you've just made a comment, you're glad that they have seen it in a new light now, but they've been associ-

ated with adverse responses to those who have come in the recent years dealing with working in the community and possibly taking jobs. But they have opened up, and I wouldn't call it a Johnny-come-lately, I would call it a reckoning and a visionary approach to workers. So I am glad that you're here, because the only way we're going to solve this is if we have people of different perspectives working together.

We disagree on some issues dealing with minimum wage, and that's not this hearing today, but I would vigorously argue against you on some of those issues. But on these issues, you bring a sense of reality, and if I might, then, let me pose—let me allow you to clean up what we have heard, the passion that we have heard.

First, I want you to go straight at this question of the National Research Council only did two paragraphs on benefits and the rest of it was it costs a lot. So you are going to hit right away, and I am going to give you these three questions, this point about it costs more than the benefits are. And now we're—this is a 1997 study. This is 2003.

Mr. GRISWOLD. Yes.

Ms. JACKSON LEE. And we've got to deal with this question because we do have Americans on the run and we're not going to solve it with the anger that's out there that Brother Anderson, if I might, captures. We may politically disagree, but he captures it and he's given some eloquent points, and our professor and Mr. Camarota.

The other thing that you need to capture is doing—allowing—keeping folk in the shadow, under cover, under the radar screen. Where does that take us? I have legislation that fully looks at this question of earned access to legalization. That means no criminal background, get on the list, go through the process over the period of time, and I do that in the backdrop, as I said earlier, of folk that are dying in Iraq who are not citizens who have gone forward, and this is my last question for you.

But let me not make this as a question. You comment on the failure that we have now in this country of not moving forward in reform, and this is a sentence that, since I have not probed you, I don't want to characterize this, but Mr. Chairman, let me just be very frank.

Racism exists in this country, and much of what we are talking about has some ramifications of racism and we've got to break that shackle. That means that somebody who speaks Spanish, you don't want them there. Somebody who does not speak Spanish, you don't want them there. Black people are still facing racist attitudes about employment promotion, the opportunity for job expansion. That may be another hearing for the Constitution Subcommittee.

But mixed into who's being rejected for jobs and seeing many of us being rejected, whether it be a white American who may face the same thing, because there's reverse discrimination in some instances. That still plays a part, where we use the excuse that it's the immigrant that needs the job and we're sending you away. Well, why can't we give you a higher job or why can't we find training, which is what my H1B bill was about, to train those individuals and give them the next step up, and then, as I said, it's not a place to discuss this.

We've lost manufacturing jobs. I've got a whole town in Detroit, as my good friend the Ranking Member came from, where people built their lives on working for Ford and GM, African Americans. So we have a problem that overlaps this Committee.

Let me yield to you, if you made notes on those three points. Clean it up for me, if you would, because the gentleman to your—which is it, right, left—

Mr. GRISWOLD. My left.

Ms. JACKSON LEE. They are not to your left, but they are sitting to your left, have made some strong points. Would you clean it up, please.

Mr. GRISWOLD. Ms. Jackson Lee, thank you very much. First, the National Research Council report, I guess I just urge you to read it. I've read it. I think it's largely, overwhelmingly positive from beginning to end. I've quoted directly from it. I just ask you to take a look at it and see who's closer to characterizing the National Research Council report.

Secondly, you mentioned security. Not a single one of the September 11 hijackers came here as immigrants. They came in the way approximately 30 million people do every year, as temporary visitors, most of them on tourist visas or student visas. They didn't apply to the INS for permanent residency. They were not immigrants in any sense of the word, and I think that is a security issue.

When you have eight million people living in illegal twilight zone, they're afraid to approach authorities because they may get deported and there's movement in Congress to make local law enforcement officials agents of the INS and these eight million people will be even less likely to cooperate with them.

You have a swamp of smuggling and document fraud that facilitates illegal immigration. If we were to legalize that flow, the vast majority of workers apprehended at the border have no criminal records. If they could come in legally, we could concentrate on the small percentage who have criminal records or do intend to do us harm.

Ms. JACKSON LEE. Let me just, because I know you lost the train of thought. Let me just, so you can point directly to it, are we missing the boat by not engaging in reform that involves earned access to legalization—

Mr. GRISWOLD. Yes.

Ms. JACKSON LEE. and then what is the impact of the failure to reform our immigration policy.

Mr. GRISWOLD. I believe we are missing the boat for those reasons. Also, we're wasting resources. We're going after peaceful, hard-working immigrants who come here intending to work. We should be putting those resources—instead of busting 300 janitors who work for Wal-Mart, those Homeland Security Department resources should be going toward apprehending criminals.

And yes, what do we do about it. I believe it is an unacceptable, unrealistic option to try to round up eight million people, take them away from, in many cases, their families, their communities, their jobs, and deport them. That's just not a realistic option. I don't think it's a realistic option to muddle through the way we have. We have to find some way of legalizing these people.

This isn't an amnesty, where we say if you've been here a certain time, here's your green card. They get temporary visas. They have to earn it. They can pay a fine. They can get in line for permanent residency along with everybody else.

So I think the only realistic option is some way of a path to legalization, not permanent residency necessarily, for those who are here and to legalize the flow of people coming in so we can focus our resources on going after those few people who come here intending to do us harm.

Ms. JACKSON LEE. I thank the Chairman for his gracious indulgence and the Committee. Thank you. Thank you, Mr. Griswold.

Mr. HOSTETTLER. The gentlelady's time has expired.

The chair now recognizes the gentleman from Iowa, Mr. King.

Mr. KING. Thank you, Mr. Chairman. I thank you for holding these hearings and I'd like to thank all the witnesses for your testimony.

I look at some of this on a little broader scale, and when we talk about immigration, I'd point out that this country has an obligation to shape an immigration policy that's designed to enhance the economic, the social, and the cultural well-being of the United States of America. We have no obligation to any other country with regard to our immigration policy.

And so I think we've missed a lot of opportunities to recruit some people around the globe that would have dramatically enhanced our economy because we've got such a line-up that's taking place in the low-skilled sectors that are there.

But first, I want to reference the cultural part of this, and that's not been brought up here. We've talked strictly about economics. But if we can't hold our culture together, we can't hold our economics together, either. And there is a huge, multi-million dollar, multi-cultural industry there, particularly within our universities and across our entire educational system—it's within our media and within Hollywood, also—that drives this idea that rejects the concept of assimilation, which is an essential, an essential component to the unity of this civilization that we are privileged to be members of.

I point that out, first, and the second thing in the broad equation is the high-tech versus low-tech. Now, we're losing jobs to Mexico and Mexico is losing jobs to China, and those low-skill jobs are drifting away from us for some legitimate economic reasons. One is that as the technology is developed in the developing countries, they will compete with us and we will lose those jobs because we can't compete with those wages. Our response is, we need to come back with higher technology to offset that.

There is an aspect to the high-tech side where the future growth in our economy in this country is and we need more people that are high-skilled, highly educated, more research and development, more higher education to drive that sector of the economy. We're going to lose those people on the lower side of our—on the low-tech side, but we should slow the loss of those jobs.

Now, the equation is upside down here. We've got almost an open borders policy that brings in hundreds of thousands and, in fact, millions of unskilled or low-skilled people, some of them—in fact, many of them—illiterate in their own language and we're packing

the low-skill side of our economy at the very time when we ought to be transferring—I mean, if we had the same kind of selfish approach to this that Mexico has, we'd be trying to push our low-skilled people down there where there are jobs. I mean, that's the blunt reality of it.

So as Mr. Camarota made those remarks—I'll pose a question after I put one more thing out here, and that is, oddly enough, the New York Times did get it right last Sunday. There was an article in there about particularly Californians who are migrating to Baha and purchasing land down there and developing beachfront property because they can buy it cheaper there, they get away from our high taxation, they get away from our high regulation, and they get away, by the way, from the burden of subsidizing the immigration that's flooding the region of California that they are moving from. Turnabout somehow seems to be kind of fair play.

So with regard to that equation that Mr. Camarota laid out, I pose a question then to Mr. Griswold. With that broad equation of supply and demand on labor, how do you answer that? If you have more unskilled labor, doesn't that drive down wages, and how in the world can that then on the broad equation help us on the high-tech side? I know what your answer was. It pushes people to excel more. But somehow, that doesn't seem adequate.

Mr. GRISWOLD. Well, first, in perspective, we do have a declining pool of Americans willing to take those jobs. We're getting older. We're getting better educated. It's just a demographic fact. At a time when demand for those jobs—because of our aging population, there's more demand for services and health care and hospitality and that sort of thing, we continue to create opportunities for these sorts of workers. So there is a mismatch between supply and demand.

I do think that there is very strong evidence that when the premium for getting your high school degree goes up, just simple economics, more people, that will be more valuable and more people will get their high school degree.

You know, I mentioned the experience 100 years ago. We've been through this before. In fact, the rate of immigration 100 years ago was double what it is today and most of those were low-skilled immigrants. It's just that they were from Europe and not from Latin America. What happened then? We had what's called the high school movement. Americans in large numbers stayed in school, increased their skills. Again, the answer is not to build walls to keep hard-working low-skilled immigrants out of the country.

Mr. KING. I call that the Sputnik reaction. When Sputnik went up into outer space, we accelerated our higher learning in response to a threat from without.

Thank you, Mr. Griswold, and I would pose this question to Mr. Anderson, then. There has been some discussion here about amnesty and discussion about a guest worker program. Do you believe that there's any way to characterize a guest worker program that would not be an amnesty program, and how would that settle with your listeners?

Mr. ANDERSON. I'm against a guest worker program personally, and so are my listeners. But let me say this. If you're going to do it, and I can't stop you, obviously, but if you're going to do it, to

take people that are in this country illegally and make them guest workers is a slap in the face to every person waiting outside this country and to Americans. No person in this country illegally should ever be made legal. Now, that's a fact.

And I'm missing something here. Everybody's talking about breaking up families and deporting these people. These people are in the country illegally. Why am I missing that fact? Am I not seeing it? Is there a reason why these people should be able to come here illegally?

I have called the LAPD, I have called the L.A. Sheriff's Department, and I'm going to ask this body of people here, tell me which laws I can break in this country so I can make a list of them and break them from now on. These people are coming here and breaking our laws.

He calls them hard-working people. They are illegal aliens. They're not supposed to be here. They're not supposed to cross that border, and when they do, they become criminals and we should treat them as such, not in a violent fashion, but we should take these people and remove them from our country. We are never going to get anything done until we treat this as what it is and that's breaking our laws.

And may I say something about jobs. My brother, Michael Anderson, he's older than I am. He's a finish carpenter. This guy works in nothing but hardwoods. He is so good, a piece of furniture that he made is in Buckingham Palace right now, okay. He made this a few years ago. He is an expert carpenter, but he cannot find work right now. His skill level has nothing to do with the fact that these people are coming here and displacing him now. He's been at this trade for 30 years and there's so many of them here now that he cannot find work. He's a great carpenter, but there's great carpenters coming here working for less money.

These people are coming here illegally. I'm not talking about legal immigration. I'm talking from a California perspective. These people are coming here illegally, and some of the constituencies in California now are so lopsided, so illegal, as in Mr. Berman's section. These areas are becoming so illegally infested that now the pandering starts. Now, how can we make these people happy? Let's give them a guest worker program. Let's give them amnesty. Let's give them in-State tuition. Let's give them a driver's license. Let's waive the fees for college. Let's do all of this for them, and then let's give them welfare. Let's give them WIC. Let's give them food stamps.

When does it end? They are in the country illegally, and until people realize that, we're not going to fix this.

Mr. KING. Thank you, Mr. Anderson.

Might I indulge for one more question, please?

Mr. HOSTETTLER. Without objection.

Mr. KING. Thank you, Mr. Chairman. I pose this question then to Mr. Briggs, and that is that in your testimony with regard to the AFL-CIO and the position change that's taken place, I don't recall you mentioning, and I may have missed that, about the Freedom Ride that was funded and promoted by AFL-CIO to go around the country and promote fast-track citizenship for illegal aliens. If you plug that into the equation and you laid out all the reasons

why those things were—the positions that have been taken most recently are not good for the organized labor, how do you propose that will be explained to those people, then, to the organized labor as this comes to light?

Mr. BRIGGS. I think you have a hard job as a leader of a union trying to sell the idea that increasing—the supply of workers in your particular occupation or industry is good for those—especially their entering illegally—is good for those workers. Amnesties, guest worker programs, all the rest of these things are simply not in the best interest of American workers. I think you have a real tough sell.

I thought the idea of a Freedom Ride, hijacking the language of the Civil Rights movement, was outrageous, and I was in the Civil Rights movement back in the 1960's. That's not what it was all about. That's not what it was all about at all. I was here in Washington at the Monument and the Lincoln Memorial when Dr. King said it's the content of people's character, not the color of their skin that's what's important. And hijacking that language when people I knew personally—I was not in those Freedom Rides, but I know people who were—endangered their lives. In fact, I think one of our students at Cornell was killed down there in Mississippi in some of that stuff. I'm not sure about that, but one of them was. I wasn't teaching there at the time.

But to take the language of the Civil Rights movement and hijack it and have illegal immigrants who come to the United States demanding their rights to be legalized, to have a guest worker was absurd. It's—honestly, to me, it's like an Alice in Wonderland world. I mean, I sit here as a lifelong Democrat of 45 years, impeccable liberal credentials. I'm a member of a—associate member of the United Teachers Association of New York (AFL-CIO).

And to sit here and hear the Cato Institute and the Democrats cozying all up to their views, this is absurd. It's absolutely absurd. The Cato Institute is opposed to every single thing the Democratic party stands for in my entire life. I mean, I've spoken at the Cato Institute. And I have to sit here and listen to the Democrats pandering to the Cato Institute about how wonderful workers are, immigration, this is nonsense, and the same thing with the Civil Rights movement.

To hear the labor movement going down here and illegal immigrants demanding their rights. These people weren't endangered. Nobody was going to kill them. Those Freedom Riders, they put their life in their hands when they went out. Those are really courageous people.

These people coming up here knocking on your door are just as is being said here. They're asking for handouts. They're asking us to give them a right to stay here. We broke your laws. You're supposed to give us all these type of entitlements, all these type of privileges, legalize our stay just because we say so. This was no Civil Rights movement, but they hijacked its language. If I was a Civil Rights movement leader today, I'd be outraged at the language of the AFL-CIO on that Freedom March, as I was.

Mr. KING. Thank you, Mr. Briggs. Thank you, Mr. Chair.

Mr. HOSTETTLER. I thank the gentleman.



The chair now recognizes the gentleman from California, Mr. Berman, for 5 minutes for questioning.

Mr. BERMAN. Thank you, Mr. Chairman. It's an interesting hearing on a very important issue.

I find that Professor Briggs has touched on an interesting aspect of all this, the sort of the alliances that develop based on perspectives and the way things change. I find myself agreeing with a lot of the substantive provisions of—well, particularly of what two of you have said, Mr. Camarota and Professor Briggs. Mr. Anderson, I take some issue with, which I'll get to in a moment. And at the same time, I find myself agreeing with the conclusions of Mr. Griswold, even though I don't get there the same way that he does.

And perhaps I'll start with Mr. Griswold. In a Libertarian world, Mr. Anderson, in a Larry Elder world, labor is like one of the issues in free trade, back and forth and you go where they're needed and people search out the best price and it's a marketplace. Now, Karl Marx was wrong on a lot of his analysis and his emphasis on materialism in a whole bunch of ways, but he did make one point about the reserve army of unemployed bidding down wages. I'm not a Congressman from an international elected constituency. I'm a U.S. Representative. I don't think we can talk about there being no relationship between flows of immigration and wages and worker conditions in this country.

Moreover, on the issue of productivity, I can think of cases in agriculture where, because growers were able to get, in a sense, almost unrestricted flows of labor, one, I mean, the irony was they replaced more recently legalized immigrants with newer illegal immigrants by keeping wages low and, in a sense, pushing people who had made a living out of farm work into finding better paying jobs in other areas, because—and secondly, avoided the investments in mechanization which increased productivity.

I mean, there was a—sugar cane in Florida was a fascinating example. We wanted—and this raises another question. Does America want to preserve certain kinds of industries without regard to the economics of it? Do we want, for instance, in this country to have a perishable fruit and vegetable industry, or should economics be the final determiner of that without regard to any other consideration?

In the area of sugar cane, we made a decision to keep a sugar cane industry in this country. We created a ridiculous system of price controls which made the price of sugar for American consumers much higher than it otherwise would be. We then brought in workers from the Caribbean under guest worker programs to harvest the sugar cane in Florida and maintained that program for many years after in other areas the difficulties with that guest worker program caused the sugar cane operators there to mechanize, to find ways of harvesting sugar cane through machines. But because the labor was cheap and subsidized in Florida, they maintained the traditional way of doing it.

Finally, they got tired of dealing with the aspects of the guest worker program and the whole question of whether they were meeting the requirements under the law and all that stuff and they abandoned the guest worker program, too.

But I am saying there are aspects of this which do, and I think—I don't remember, was it Mr. Camarota when I came in who was speaking to this issue—there are aspects of this that do stop employers from making investments that can enhance productivity and there are aspects of this that do keep wage costs depressingly low.

But what I find about Professor Briggs and Camarota is that you're talking in a world that doesn't exist. Our options aren't kick all the illegal immigrants out, stop any more illegal immigrants from coming in, and by the way, illegal immigration is wrong. We should be doing everything we can do to stop it. We have invested incredible sums in trying to do that, new technologies, huge, huge expenditures, much more than on food stamps for illegal immigrants, Mr. Anderson, on efforts to stop illegal immigration. It obviously hasn't worked in any serious way.

But the situation now is you have eight or ten million people in this country who can be called illegal immigrants, if that's what you want to call them—

Mr. ANDERSON. That's what they are.

Mr. BERMAN. They're also human beings.

Mr. ANDERSON. Illegal first, though.

Mr. BERMAN. Human first. And they're doing work in some very important industries and you have the present situation and then you have to decide—I think we all share that this present situation is intolerable. The law is being flouted. People are being exploited. The fundamental rights one would accord even from a conservative point of view to any worker in our society aren't given to these workers because they're so fearful of their illegal status and where do we go from here.

And what I don't hear from you folks who so rail against amnesties and rail against legalization programs and rail against guest worker programs, and on the guest worker programs, I share your concern because the notion of tying a worker to a particular employer is, in and of itself, an exploitative situation where the only way he gets this opportunity is with that one—he can't shop. He's stuck with the guy that hired him in a way that I don't like.

What I don't hear is a practical, human, security-enhancing—and I mean in the context of millions of people here whose identities are unknown to us who are living on forged documents—and practical way of dealing with it in the context of a decision by the United States that we still want a perishable fruit and vegetable industry in this country.

I'm only going way over my red light because everybody up until me has gone way over their red light— [Laughter.]

—but, Mr. Anderson, I notice, like you notice, that there are fewer African Americans employed in certain jobs than there used to be and they're replaced by many people of Latino descent. But I also know that there was once the work—the janitor's work in this country was done hugely by Irish immigrants, and in fact, the leadership of the Service Employees International Union was heavily Irish for many years because of that Irish participation. And it changed and became much more African American. Then it became much more, at least in my part of the world, Hispanic.

That didn't mean these people all went to unemployment, because at the L.A. airport, what I also see are African Americans with a lot better jobs where I didn't see any African Americans before. In other words, there is upward mobility in this society. Not everyone who used to be a janitor was pushed out by illegal immigrants. Some of them got better and higher-paying jobs. And to paint the picture the way you did, I think was unfair and one-sided.

I guess I don't have a question in any of that. It's more just some reactions to some of the things I've heard. But for those people who rail about amnesties—and, by the way, how do you define an amnesty? For me, an amnesty means you did something wrong and you're going to be forgiven and pay no penalty. Many of the proposals that I'm involved with don't involve not paying a penalty. But for all that stuff, I don't ever hear a coherent, meaningful solution coming from—other than the ones that we have tried and not passed.

In 1986, Father Hesburgh, who you like to quote, said, let's do an amnesty. He called it legalization. Let's do a legalization and we'll tie it to employer sanctions and we'll do it one time, once only—

Mr. ANDERSON. Right.

Mr. BERMAN.—and now it'll be illegal for employers to hire people. But this Congress didn't want to quite do it the way maybe he envisioned it. He didn't come out and say, that's not going to work, don't do it. He went along with it and the result was you had an employer sanction which was rendered fairly meaningless by the use of false identifiers and the limitations on what employers had to do, and you know something? I'm not sure Congress was wrong. I mean, that notion of the great Federal Government making a snap decision about whether a particular person should be here or not and gathering the data for all that, there are prices to pay for investing that much power in a Federal Government. But in any event, that trade-off didn't work and the result was this.

I will close now, Mr. Chairman, with one final quote, and that is on this issue of amnesties, which I think are different than these earned adjustment programs that have been referenced to, but we, I think, have a disagreement about that because I think you pay a price when you're required to work for a certain period of time in a particular industry afterwards. That is a penalty.

But in any event, I want to quote from the Federal Reserve Board Bank in Atlanta, not a major source of multi-cultural internationalism designed to undermine the American national interest. They did a study on undocumented immigration flows and they concluded that amnesty programs do not encourage illegal immigration. If anything, IRCA, the 1986 law, reduced the number of illegal immigrants in the short run, perhaps because potential migrants thought it would be more difficult to cross the border and get a job in the United States after the law was passed. An amnesty program also does not appear to encourage illegal immigration in the long run in the hopes of another amnesty program. We do not find a significant difference after the IRCA amnesty program expired and before the program was created. However, IRCA

does not appear to have discouraged illegal immigration in the long run.

In other words, the amnesty programs neither encourage nor discourage illegal immigration. The notion of all those jobs in Mexico, that's—if there were all those jobs in Mexico, you wouldn't be getting the flows here. It's about the jobs. It's not about the amnesty. It's about bettering the condition for yourself, for your family, and by the way, in a very self-selecting way, that brings some very industrious people into this country, illegal though they may be.

Thank you, Mr. Chairman.

Mr. HOSTETTLER. I thank the gentleman. The gentleman's time has expired.

The gentleman from Utah, Mr. Cannon.

Mr. CANNON. The Chairman is most gracious. I apologize for not having been here. The votes and other things have kept me in a hearing on a bill that I need to pursue in Resources, so I thank you.

First of all, Mr. Chairman, have we passed a unanimous consent to allow questions in the written form to be sent to the panelists?

Mr. HOSTETTLER. The chair, after the Committee, was going to allow 7 days for the record.

Mr. CANNON. Thank you. I think that I will assure you that I won't go very long here, but apparently the standard is more than the 5 minutes allotted. I will try to keep it under, because I think I can do several of my questions in writing, but there are a couple of questions I would like to ask.

Mr. Briggs, are you on the board of CIS?

Mr. BRIGGS. Yes, I am.

Mr. CANNON. Thank you. Can either for you, if you're there or Mr. Camarota, can you explain the historic ties between CIS and FAIR, Federation for American Immigration Reform?

Mr. BRIGGS. Well, there are no formal ties. I joined the board in 1987. I do not belong to FAIR. There are some members who are on the board who belong to the Federation of Americans for Immigration Reform. Most of the board does not. We do not do work for FAIR. We do not get money from FAIR. It's an independent research think tank of people interested in immigration issues from multiple backgrounds.

Mr. CANNON. Did FAIR help set up CIS in the beginning?

Mr. BRIGGS. I don't—

Mr. CAMAROTA. Yes, I think that's right. Seventeen years ago, CIS was a spin-off of FAIR. That would be a reasonable way to put it. For like, I think, 2 months we were held under their tax status.

Mr. BRIGGS. I was not on the board at the time of that.

Mr. CANNON. Okay, thank you. But for 2 months, you were under their tax status?

Mr. CAMAROTA. I mean, obviously, it's long before—

Mr. CANNON. Sort of like a division of FAIR at the time?

Mr. CAMAROTA. We were a spin-off of them, yes. I think that's the best way I'd put it.

Mr. CANNON. So FAIR set up a study group and after a very short period of time, say 2 months, felt that they had to be independent to be reliable?

Mr. CAMAROTA. Yes. I don't know what the reason was why we became independent.

Mr. CANNON. Mr. Camarota, how long have you been with CIS?

Mr. CAMAROTA. That's a good question. Seven years so far. Seven years.

Mr. CANNON. It is not unfair to say that there are many people who are interested in the same subject matter who are on both boards, is that—or who are associated or members of FAIR?

Mr. CAMAROTA. Well, I don't think we share any board members. It's not like we have board members on their board and—I don't think so.

Mr. BRIGGS. I think there have been some. I think Otis Graham was on both boards. But the board has 13, 15 members and most of us have no ties at all to FAIR. That doesn't mean we don't share some of their interests, but we're not the—

Mr. CANNON. Would you mind describing—are there more members other than Otis Graham who are on both boards and would you describe those interests that some members of your board share with FAIR?

Mr. CAMAROTA. I think they should have to speak for themselves. In general, we think control of illegal immigration is important and a more modest level of legal immigration where we selected people based on skills. You'd have to ask FAIR what they think. Obviously, we don't coordinate our positions with them or anything like that.

Mr. BRIGGS. Let me speak as a member of the board. My view of immigration issues is the facts speak for themselves, despite what's said up here. To me, all we have to do is put out the facts, and the facts support, in fact, that our immigration policy is out of control, which is what the Hesburgh Commission said, that it needs new priorities, which is what Barbara Jordan's Commission said, and all you have to do is put out the facts.

Mr. CANNON. Well, I—

Mr. BRIGGS. And that's all we ever do, and that's all—as long as I've been on the board, it's not a propaganda factory—

Mr. CANNON. Mr. Camarota has just pointed out that you are driven by a set of beliefs. Is it not fair to sort of assume that those beliefs drive where you look and what facts you come up with?

Mr. BRIGGS. I'm sure that the people believe there's something wrong with immigration. Now, some of these people come from different backgrounds. That is, some people are concerned about environment. There are some people concerned about population. There are people like me that are concerned about low-wage workers, and I'm still watching—I'd love to answer what you all keep saying. We don't get the chance to answer any of—

Mr. CANNON. You see, I think that it's absolutely clear that there's a problem with immigration and I think that, frankly, I agree with a vast amount of the stuff that you and I might agree with if we sat out and had a Coke in the cafeteria. But I'm concerned about some things where we may not agree. For instance, do people on the board of CIS have the same view or have similar views about population control than maybe the people at FAIR have?

Mr. BRIGGS. No, it's—

Mr. CAMAROTA. They would have to speak for themselves here. I mean, I think that's—you would have to call them and ask them what they think. I think it would be a mistake for us to assign beliefs—

Mr. BRIGGS. Many of the people on the CIS board are Democrats. Many of them are Republicans. Some are liberals and some are conservatives. The only thing we have in common is a concern that our immigration policy needs to be reformed, needs to be changed, and that's the only thing that we work together on and believe that all you have to do is put out the facts—

Mr. CANNON. I see that my time has expired. Let me just point out that there are many ways you can go after you say there's a problem.

Mr. BRIGGS. Yes.

Mr. CANNON. My sense is that the choices that you're pursuing and that you're evaluating are relatively restricted, and I, for one, want to solve the problems we have and—because I really believe we have serious problems, and when you have a vast disproportion of crime among people who are here illegally, because criminals come here because they want to hide in the shadows of people who won't answer the door because they don't want their status in America to be challenged, that's a huge problem that we need to address and that's urgent.

Now, there are many long-term problems, and I do hope that we can actually work together on some of these things. Maybe we can get you some questions that will help us focus on what I think are the important—illuminate some of those areas that I think are important to consider as a possible way to resolve our questions and problems.

Thank you, Mr. Chairman. I yield back after having gone overtime. I apologize.

Mr. HOSTETTLER. That's all right. It's an issue of great interest to all of us.

I'd like to start with a second round of questions. In my first round, deviating somewhat from the specifics of the subject matter here, there is a lot of discussion today and a lot of support today for the enforcement of our immigration laws as they are today.

As a result of September 11, given the fact that the United States was attacked by the air as a result of activity through our commercial airline system, commercial air travel system, the Federal Government took it upon itself to create a new agency, the Transportation Security Administration, and hired 35,000 new Federal employees according to the law. Since that time, we've learned that we've hired quite a bit over 35,000 to work in the TSA because we believe that air security was a very important issue, that we believe that it was highly important to the safety of the United States that we hire tens of thousands of more Federal employees.

Mr. Camarota, if the United States Government would take the same view of illegal immigration, for example, and hire tens of thousands of new, say, Interior enforcement agents, do you think we could make a significant impact on illegal immigration today, not only with regard to new illegal immigration, but the illegal immigration population as it exists in the United States today?

Mr. CAMAROTA. Oh, absolutely. In the 1990's we actually cut back dramatically on Interior enforcement. The Border Patrol today is still, in terms of the numbers of agents on duty, is considerably smaller than the New York City Transit Authority cops. There are fewer agents guarding our border. We have spent relatively modest amounts of money and we've actually cut back in a lot of key areas.

The INS estimates that 150,000 illegal aliens go home on their own each year, 50,000 get deported, and actually about 200,000 get legal status each year. But that means that—and about 20,000 die, just because it's a large population. That tells us that out-migration from illegal status is very large.

If we significantly improved our Border Patrol and Interior enforcement and increase the number of people going home on their own, and that's what we do, and reduced the number coming in, this problem could largely take care of itself on its own.

The only way you could even ever talk about an amnesty is something maybe at some point to consider to tie up loose ends. But we don't have that. If we spent several years getting it under control, then we could talk and see what we might want to do from there for some long-time residents, maybe, possibly. But we don't have that. If we have another amnesty like in the past, we'll just replace them with more illegal aliens and we don't have to. I think enforcement really could work.

Mr. HOSTETTLER. Unless we say we can try something with regard to a guest worker program after tens of thousands of Interior enforcement agents, new Interior enforcement agents—

Mr. CAMAROTA. Right. If you want a guest worker program, you've got to create the incentive for people to sign up for it. If you can just come here illegally and not give your name, again, everything has got to be based on enforcement and the rule of law.

Mr. HOSTETTLER. Thank you.

Mr. Anderson, I have a question for you. Your program existed before September 11, 2001, did it not?

Mr. ANDERSON. Yes, sir.

Mr. HOSTETTLER. So your program was not spurred on. You did not reach the acclaim that you have today necessarily as a result of 9/11.

Mr. ANDERSON. No, sir.

Mr. HOSTETTLER. Would you not think that after 9/11, if the United States of America, if its citizenry, if the Government equated terrorism with immigration and in order to eliminate terrorism in America today we crack down on immigration in a way never before in the history of our country, would there be much need for your radio program in California if we equated terrorism with immigration and if we cracked down on illegal immigration, or legal immigration, or status of visitors' visas? Would there be much?

Mr. ANDERSON. Very good question. I think there would because the people that I know in California do not equate immigration with terrorism. They don't. I think that's a small equation in their minds, but it's way in the back, and I say that from this point.

I think people who come here to do us harm can come here and blend into the system better because we're so lax on illegal immigration. But I will acknowledge, I will acknowledge here today that most of these people who come here are not terrorists. The vast

majority are not terrorists. They come here to work. I'll acknowledge that.

But my message on the radio show is the same it was on September 10. We have not changed that message, and that message is our culture and our sovereignty is being violated by these people being here.

If I may expand just a little bit——

Mr. HOSTETTLER. Yes.

Mr. ANDERSON. Mr. Berman talked about the money spent at the border enforcing this and how it's more than food stamps. Well, it's been wasted. That money has been wasted at the border. They've wasted it on things that were unnecessary and did not work. There are other things they could have spent that money on. I'm not saying I know more than the Federal Government does, but I know this. It hasn't worked. Something else has to be tried, and amnesty is not the key.

But I would say the problem behind that money being wasted is the will to enforce the law, the will. The will is not here in this Congress, folks. It's not here. Just by Mr. Berman's refusal to admit these people are illegal—well, not refusal, but he intimated that they're illegal if that's what you want to call them. That's what they are, sir. They're illegal aliens. The statutes of the United States say if you do not come here with the graces of this country——

Mr. BERMAN. Mr. Chairman, I didn't say that.

Mr. ANDERSON. Well, they are illegal. I will put that on the record.

Mr. BERMAN. Mr. Chairman, would you yield for a moment?

Mr. HOSTETTLER. If the gentleman will—is the gentleman——

Mr. ANDERSON. They are illegally here and it is the will of the people that govern this country that has not been there. They will not deal with this, and that starts at the top with the President on down. Nobody wants to deal with this problem as effective as it can be. And the question asked of Mr. Camarota was absolutely right. If they put this money that they put into these air traffic people, I mean, these screeners at the airport, if they would do that on illegal immigration, we'd have it fixed. But they haven't put the whole force of the Government behind it because there's no will.

Mr. HOSTETTLER. I thank the gentleman. My time has expired.

We have a series of votes in the House. Are members of the panel able to stay a while longer to take the rest of the questions? We appreciate your indulgence. This is a very important and timely issue and we will now recess.

Ms. JACKSON LEE. How long will it be? Can they get a bite to eat?

Mr. HOSTETTLER. Do you know how many votes we have?

Ms. JACKSON LEE. Is it just one?

Mr. HOSTETTLER. The Ranking Member has come up with an excellent idea, her concern for the members of the panel. If we can recess until 2:15—if we could recess until the call of the chair, it will be approximately 2:15. Excuse me. We would like for the folks to be able to eat sometime today. So if the panel—would the panel like to recess for about a half-an-hour? Okay. Let's do that. Let's



recess for about a half-an-hour. We will reconvene at 2:15 to continue and conclude the second round of questions. Thank you.

[Recess.]

Mr. HOSTETTLER. The chair now recognizes the Ranking Member, the gentlelady from Texas, Ms. Jackson Lee, for 5 minutes.

Ms. JACKSON LEE. Thank you very much. Well, I think it's appropriate to thank the witnesses. I think they have more than a story to write about, but we do thank them because it's an important hearing.

Let me start with Mr. Griswold and ask him, because of the circumstances under which we're operating, you had mentioned, or there is some comment in your statement about the impact of not doing the right thing, meaning creating some form of reform, and I would just—I don't want you to speak for Mr. Anderson, but you can understand the deeply imbedded—the feelings that we hear across the nation. Do you understand that? I'm talking about people's opposition to this issue of immigration.

Mr. GRISWOLD. Certainly.

Ms. JACKSON LEE. Because it's gotten cloudy in the, I guess, recentness of what is happening. So we have lost the historical perspective, which I think you know, the waves of immigrants that came in the 1800's, which they weren't received that well, but they ultimately integrated, then the 1900's, et cetera. What would you answer the question now about the impact on civil liberties?

And I think in my questioning of you, when I spoke about 9/11, and I think the question was posed to Mr. Anderson, whether he was just a product of 9/11, I know he's not a product of 9/11. These are issues that have been raised. But that's why my view is that we are long overdue for some form of reform. But if you would comment on the civil liberties impact and the need for reform pointedly as it relates to this whole problem.

Mr. GRISWOLD. I would say the problem is we need a reorientation of mission. The focus of our immigration policy has been to keep people out who, heaven forbid, might want to come here and work and build a better life. I think our policy should focus on people who come here to do us harm and create the legal channels so that peaceful, hard-working immigrants can enter the country.

The civil liberties angle is that efforts to cope with economic immigration, I think compromise the civil liberties of all Americans, and such issues as the national identity card, that in order to enforce our rules against immigration, Americans would need to all carry a national ID as sort of an internal passport or license to live, as some people have characterized it. I think that is downright un-American, if you ask me.

Secondly, the idea of some sort of national database, where your name would have to be in there in order for you to work. You know, to put it mildly, the Federal Government is not on the cutting edge of technological evolution in this country, so I kind of shudder what would happen if our ability—the ability of American citizens to work would have to depend on a national data bank that would be open to hackers and human error and abuse and technological failure.

And finally, Ms. Jackson Lee, there is a question of discrimination. You know, most illegal immigrants are from Mexico and Latin

America, so efforts to enforce these laws does tend to put employers in a difficult spot where they look more closely at Hispanic, and this has been documented by studies, applicants.

And so, yes, I think if we were to straighten out our immigration laws to create this legal channel, I think it would not only enhance our national security and our economy, but also our civil liberties.

Ms. JACKSON LEE. Let me just quickly follow up on that and ask the question, you heard Mr. Anderson, you've heard me make some comments. What do we say to the African American population that feels—and more than feels, probably has issues where they have been impacted—how do we track that—well, not track it. Let me do this.

How do we reconcile what I think is a reasonable approach, because I think I've heard Mr. Camarota, and if we had more time, I'm worried about the safety of the witnesses, I would ask whether or not he wants to increase the number of dying or dead immigrants so that he could increase his numbers of people who are not here, and I say that tongue in cheek, but he added that their dead ones are 20,000, something else, and that's how we get them out. So I guess maybe he wants to raise the number of dying individuals so that we get them out.

But the point is, is that there are some questions about whether or not someone is turned away from a job. How do we reconcile that? That means that we have to look at the overall labor policy, rebuilding jobs. How do we reconcile that issue? You would not deny that there is not racism in this country, that we are still fighting that question?

Mr. GRISWOLD. No. No, I wouldn't deny that. What I think is unfortunate about Terry's remarks is it seems to pit one group against another. It's though Hispanic gains or Hispanic immigration is a loss to the black community. I just reject that.

I think a strong economy is good for both groups. The key to black advancement is not restricting Hispanic immigration. It's to creating a vibrant economy that is creating opportunities for people. It's to invest in education so people can raise their productivity.

And again, I will just quote from the National Research Council report. It's just a short statement. None of the available evidence in spatial correlation, meaning across the country, suggests that in the aggregate, the economic opportunities of black Americans are substantially reduced by immigration. They found no evidence of it, and I don't think the evidence supports. There is a feeling out there. Unfortunately, it's being fed by people who don't understand the impact of immigration.

Ms. JACKSON LEE. Let me ask Dr. Briggs just a moment here. You had an article in 1977, *The Chicano Worker*. What was that about?

Mr. BRIGGS. That was a book.

Ms. JACKSON LEE. What was the book about, sir?

Mr. BRIGGS. The *Chicano Worker* was co-authored with Walter Fogel and Fred Schmidt from UCLA. It was the first book dealing with the labor market for Chicanos, dealing with labor employment patterns, job patterns, the issue of discrimination, rural labor markets, and immigration. Immigration was in there.

Ms. JACKSON LEE. But succinctly, what was the point of the book? What was the ultimate conclusion of the book?

Mr. BRIGGS. The point basically was that this was an emerging group in the U.S. population and it was a significant part of the American Southwest, but it was becoming part of other labor—

Ms. JACKSON LEE. And they had some value at that time when you—

Mr. BRIGGS. And there were issues of discrimination, and there was efforts of—but we also showed the human capital training programs paid off a lot more for Hispanics than it did for blacks and, consequently, it would make more sense to emphasize more on manpower human resource policy than focus exclusively on anti-discrimination policy. There was a much bigger payoff.

Ms. JACKSON LEE. Well, that's what I thought. It almost seems to me that you've had a metamorphical change, because I thought that's what the book emphasized, and at that time, in 1977, to utilize these workers constructively and provide training.

Mr. BRIGGS. Absolutely.

Ms. JACKSON LEE. Let me ask you this. Did you have an opportunity to sit down with Barbara Jordan on these issues?

Mr. BRIGGS. I've met with Barbara Jordan. I testified before her Commission. I knew Barbara Jordan when I wrote books on black employment in Houston when she was a state Senator in Houston. I used to teach in the University of Texas—

Ms. JACKSON LEE. I'm aware of that.

Mr. BRIGGS.—and I haven't changed one bit. I got into this issue down on the Southwestern border in 1966 when Cesar Chavez came to Texas to organize farm workers. I was down there. I met with him at the University of Texas. I went down to the border for the first time. That's where I saw it and I saw this is impossible to win this strike, and to this day, those people are not organized. We cannot win this strike given our current border policies.

And that's what got me backing into this whole issue. And then I started studying manpower, which is what I taught in Texas, human resource economics and public policy, about education and training paying off, and it doesn't pay off in the Valley. It doesn't pay off as well for some groups as it does for others.

Ms. JACKSON LEE. Well—

Mr. BRIGGS. Part of it was immigration.

Ms. JACKSON LEE. Let me conclude—

Mr. BRIGGS. And that's what the Select Commission said, too—

Ms. JACKSON LEE. Let me conclude by saying this. First of all, I want to say to Mr. Anderson, I'm not ignoring you. I'd like to sit and work with you. You have a voice and I want to deal with these issues. I've dealt with them before.

But let me just say this about Mr. Briggs for a moment—Dr. Briggs, excuse me. Likewise, I had the experience with Barbara Jordan. As you well know, she amended the Voter Rights Act of 1965 to include Spanish language. So I don't want her legacy and memory to be characterized with discriminatory policies because I think that one of the things by her life being shortened and short-changed in 1996 did allow her to vest and to carry the message of what her Commission was attempting to do. The only thing that people speak to is the national ID card. I think that Congress-

woman Barbara Jordan would have looked at this whole issue of earned access to legalization—she was trying to get her hands around this big question. So I disagree with citing her name as one that would now agree with these policies.

I'd only say to you is that we have—this is Judiciary. We have a manpower question. We have a training question, and that question is parallel to this question of the flow of immigration. And we have a question of lacking in reform, Mr. Chairman. So I hope this hearing has given us some sense that we've got to do some reforms. We might be able to include Dr. Briggs, Mr. Camarota on their thoughts. I'm not sure if I've heard them say we want to absolute blank it out.

And what I hear from Mr. Anderson—I'll just ask you a question so that you don't think that I'm ignoring you. When your callers call in—

Mr. ANDERSON. I didn't think you were ignoring me.

Ms. JACKSON LEE. When they call in, they're talking—do you paint your listeners as racist?

Mr. ANDERSON. No, ma'am.

Ms. JACKSON LEE. Okay. So when they call in, they're talking about the pain of loss of jobs. They can't get jobs. And I guess some do have opinion that enough is enough. I mean, how do you characterize this?

Mr. ANDERSON. We get a racist call maybe one out of 500—

Ms. JACKSON LEE. Okay.

Mr. ANDERSON.—and we cut them off immediately. This is not about race with us. Thirty-eight percent of our listeners are of Hispanic descent, some immigrants who are also against illegal immigration because of what it does to their communities.

But I don't paint people as racist when they're worried about their lives, when they're worried about their—you know, Mr. Griswold, with all due respect, said there's no effect on black Americans. Our schools in South Central L.A. are busting at the seams. Schools that were once, 10 years ago, 80 percent black are now 90 percent Hispanic with kids who require bilingual education, which takes away from the other children, with a job market that now requires bilingual education, that takes away from the American worker. I don't understand where there's no effect.

And I would ask him, what do I say to these black folks who call my show and the thousand e-mails that I get every week from black people who tell me, "I'm being displaced. What do I do? How do I deal with this?"

Ms. JACKSON LEE. Thank you. The Chairman has been very indulgent. Let me let Mr. Griswold close and then I will close because you've been very indulgent. Thank you very much.

Mr. Griswold, answer that for us.

Mr. GRISWOLD. My brief response is, California has a lot of very profound problems. I mean, to go to the drastic measure of recalling your governor, this is something that happens about once a century in this country. So I think the experience of Southern California doesn't necessarily speak to the immigrant experience in this country.

I just got back from a trip to your wonderful State of Texas earlier this week. They seem to be much better at integrating His-

panic and Mexican immigrants in Texas for a number of reasons. One, cultural. Two, I think it's because Texas is just better managed as a State in terms of the finances and other things.

So I think the problems that my friend Terry is talking about have very little to do with immigration and have just about everything to do with the way California has been mismanaged as a State, and the people of California spoke loud and clear about that a couple of weeks ago.

Ms. JACKSON LEE. Let me conclude. Mr. Chairman, you have been gracious in your time. We know we're operating in a very tense situation. I would just raise this question to you, Mr. Chairman, and our time is moving on this session.

One, we are being asked to look at HB1s, as I understand. I hear some rumors about reauthorization, and Mr. Smith and I worked on this together and I think we can be creative in the kind of training programs and job creation issues, even though, of course, we realize that Labor Workforce will look at us. But I think that we would be remiss if we did not entertain those questions because we're hearing two issues here.

The other issue is, Mr. Chairman, I'd like to get a one-on-one, that we have an opportunity to sit down and update our priority list and look at hearings on earned access to legalization. Let's hear from—we did not have an opportunity to hear from labor folk who are seeing these people in the workforce every day. But on this question of earned access to legalization, where you do put criteria in to be able to get these people from under the shadows and under the problems of non-documentation, and there are many aspects. You have been hearing comments about guest worker programs. You have been hearing a lot of things.

But let's see if we can move to the next step. You've had this hearing and I'd like to see us move to the next step. I want to thank the Chairman very much for this very instructive hearing, and gentlemen, I have heard all of you. I have heard you all. Thank you for your testimony.

Mr. HOSTETTLER. I look forward to working with the gentlelady from Texas—

Ms. JACKSON LEE. May I ask unanimous—well, I'll let you finish that sentence. I'm sorry.

Mr. HOSTETTLER.—working with the gentlelady from Texas on those issues that she's brought up.

Ms. JACKSON LEE. I ask unanimous consent to submit into the record Immigration Policy Focus, September 2002, "Mexican Immigrant Workers and the U.S. Economy: An Increasingly Vital Role," American Immigration Law Foundation.

Mr. HOSTETTLER. Without objection.

[The information of Ms. Jackson Lee follows in the Appendix]

Mr. HOSTETTLER. The chair would tell Members that they have seven legislative days to insert additional material into the record. I want to thank the witnesses for your indulgence and your generosity of your time given the unique circumstances that we've worked under today.

For your information, a Halloween costume has been found that as a part of that costume had a plastic firearm with it, and so our

safety is at a much greater level than it was, say, a few moments ago as we discussed at the table.

The business before the Subcommittee being complete, we are adjourned.

[Whereupon, at 2:53 p.m., the Subcommittee was adjourned.]

## A P P E N D I X

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MATERIAL SUBMITTED FOR THE HEARING RECORD

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18th DISTRICT, TEXAS

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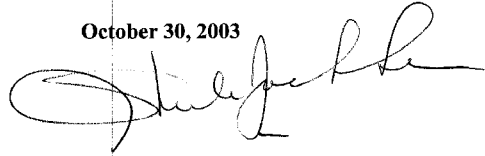
**Statement of**

**Congresswoman Sheila Jackson Lee**

**Oversight hearing on, "The Prospects for American**

**Workers: Immigration's Impact"**

**October 30, 2003**



**America was founded by immigrants seeking freedom and  
opportunity. Immigrants are good for the American economy. They  
create new jobs by establishing new businesses, spending their  
incomes on American goods and services, paying taxes, and raising**



the productivity of United States businesses.

The American economy does not have a fixed number of jobs. Economists describe the notion that the number of jobs is fixed as the "lump of labor" fallacy. In reality, job opportunities expand with a rising population. Since immigrants are both workers and consumers, their spending on food, clothing, housing, and other items creates new job opportunities.

Immigrants tend to fill jobs that Americans cannot or will not take in sufficient numbers to meet demand, mostly at the high and low ends of the skill spectrum. According to the Department of Labor, occupations with the largest growth in absolute numbers will be in the categories that only require short-term, on-the-job training of a month or less. This includes such occupations as waiters and waitresses; retail salespersons; cashiers; nursing aides, orderlies and attendants; janitors; home health aides; manual laborers; landscaping workers; and manual packers. The Labor

Department estimates that the total number of jobs requiring only short-term training will increase from 53.2 million in 2000 to 60.9 million by 2010, a net increase of 7.7 million jobs.

The supply of American workers suitable for such work is falling on account of an aging workforce and rising education levels. The median age of American workers continues to increase as the Baby Boomers near retirement age. Notwithstanding this need, our immigration laws fail to provide adequate opportunities for low-skilled, foreign-born workers to immigrate to the United States.

I know that some of the witnesses today will talk about the fact that undocumented workers lower wages for the American workforce. This is true to some extent and is a legitimate concern, but it is not the mere presence of undocumented workers that has led to low wages. The problem is the lack of bargaining power that these workers have against their employers. No worker chooses to pay himself low wages or to work under poor conditions. The wage

depression is attributable to the ability of employers to exploit this foreign workforce. Underpaying foreign workers is only one of the methods used by employers to cut labor costs. Temporary and part-time workers are employed without worker benefits and the labor laws are violated routinely.

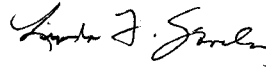
The efforts of employers to prevent their foreign workers from organizing unions also has a direct effect on wages. Nationally, union members earn 11.5% more than their nonunion counterparts. This is especially true for low wage workers, women and people of color.

I also want to express some concerns about guest worker programs. We need to make immigrant visas available to new immigrants, which includes temporary workers. Not everyone who wants to work in the United States wishes to live here permanently. I am concerned, however, about abuses that have occurred in our guest worker programs. These programs should have safeguards to

prevent employers from using guest workers to depress wages and to undermine employee work protections. This is particularly necessary for guest worker programs that provide a path to legalization. People from other countries are willing to risk their lives to come here without any status. They certainly will endure great hardship to remain here on a path to lawful status.

The ultimate solution to these problems is comprehensive immigration reform. We need a broad legalization program for undocumented workers and their families who have worked hard and contributed to their communities. They must have opportunities for earned access to legalization.

Thank you.



**Congresswoman Linda T. Sánchez**  
**Subcommittee on Immigration, Border Security, and Claims**  
**Statement:**  
**"The Prospects for American Workers: Immigration's Impact."**  
**October 30, 2003**

Thank you, Chairman Hostettler and Ranking Member Jackson Lee for convening this oversight hearing today to hear testimony on "The Prospects for American Workers: Immigration's Impact."

As you know my colleagues Mr. Lynch, Mr. Michaud, and I started the Labor and Working Families Caucus. Protecting working families is one of the issues I care most about as a Member of Congress. I also care that we establish a fair and reasonable immigration system that acknowledges the contributions immigrants have made to this country. I strongly believe these two principles are not mutually exclusive. We can establish a domestic workforce that is protected, and a legitimate immigrant population that supplements our labor needs.

As a supporter of America's working families and our labor unions, I am very concerned about our skyrocketing unemployment rate and the devastating impact it has on our workers and their families. Right now America's unemployment rate is at 6%. In my home state of California, the rising unemployment rate has cost 298,200 Californians their jobs. We must make every rational effort to protect our workers and in particular those in low-income professions.

Likewise, we must protect immigrants right to come to this country and work. We all know this country was built by immigrants who came to this country seeking work and new opportunities for their families. The same is true for immigrants of who come to the United States today. In the process of helping their families, immigrant contributes immeasurably to the advancement of our economy and our communities.

Contrary to the apparent theme of this oversight hearing, I do not believe that immigrants are the root of the problems facing our economy or America's workers. Immigrants are not the cause of the low wages, poor working conditions, or our high rates of unemployment.

Making immigrants the scapegoat for the struggles of our American workers will not improve the working conditions for low-wage laborers or create more jobs. Both our labor market and immigration system are in need of reform. We need work standards reform that will prevent employers from exploiting laborers by paying them below minimum wage, denying them health benefits, and failing to provide a safe work environment. We also need better enforcement methods to ensure that employers are obeying the law. We also need immigration reforms that allow immigrants to earn legal status based on their work history.

These are just a few examples of many reforms needed in labor and immigration. I reiterate that reform is needed, scapegoating and finger-pointing is not. I hope that the witnesses testifying before the Subcommittee today will offer us meaningful ways to reform our labor and immigration systems, and not engage in broad immigration bashing in the name of advocating for American workers.

Thank you, Chairman Hostettler and Ranking Member Jackson Lee for the opportunity to address the Subcommittee. I look forward hearing the testimony of our witnesses.

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**Immigration Reform: The Effects of Employer Sanctions and Legalization on Wages**



Deborah A. Cobb-Clark, Clinton R. Shiells, B. Lindsay Lowell

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## Immigration Reform: The Effects of Employer Sanctions and Legalization on Wages

Deborah A. Cobb-Clark, *Illinois State University*

Clinton R. Shiells, *International Monetary Fund*

B. Lindsay Lowell, *U.S. Department of Labor*

The Immigration Reform and Control Act of 1986 (IRCA) represents an attempt to use labor market regulation to control illegal migration into the United States by imposing fines on employers who hire unauthorized workers. Sanctions lower wages directly because they act as a tax on hiring additional workers. In addition, IRCA legalized many longtime illegal aliens. Legalization affects wages by changing the relative supply of authorized and unauthorized workers. This study estimates IRCA's impact on wages of manufacturing production workers in metropolitan areas and finds small but statistically significant effects: sanctions lower wages, while legalization raises them.

### I. Introduction

After more than 15 years of speculation about the power of labor market regulation to control illegal migration, the Immigration Reform and Control Act (IRCA) was enacted. The first major immigration legislation in 2

Views expressed in this article are those of the authors and not the International Monetary Fund or the U.S. government. This work was undertaken prior to Mr. Shiells' joining the International Monetary Fund. This article has benefited from comments by Susan González Baker, Charles Brown, Gregory DeFreitas, Sherrie Kossoudji, and Leo Sveikauskas.

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decades, IRCA consists of two major provisions: employer sanctions and legalization. As a result of the former, employers are responsible for ensuring that their newly hired employees are authorized to work in the United States. Fines can be imposed on employers who fail to examine employees' work authorization documents or who knowingly hire unauthorized workers. The passage of sanctions was negotiated by simultaneously granting legalization to many unauthorized workers already present in the U.S. labor market. Those who could demonstrate continuous U.S. employment since 1982 were granted legal residence status during an application period spanning 1987–88.<sup>1</sup>

This article assesses the implications of this recent government regulation for the U.S. labor market by analyzing the wages of production workers in manufacturing. As a starting point, we specify separate labor demand and supply equations and solve for the equilibrium wage as a function of all the variables that enter both equations. This equation is then estimated to provide empirical evidence on the separate effects of employer sanctions and legalization on wages controlling for other wage determinants.

In our model, employer sanctions are viewed as a tax on the employment of unauthorized workers and, as such, are incorporated directly into the labor-demand schedule of firms. As a result of this tax, the direct effect of employer sanctions is to reduce labor demand and to lower wages. Thus, the direct effect of sanctions on wages is negative. At the same time, reduced demand for unauthorized workers may decrease the incentive to migrate illegally. This reduction in labor supply would be expected to increase U.S. wages indirectly. The theoretical framework developed in this article models only the direct effect of sanctions on the demand for labor. The theoretical effects of employer sanctions on labor supply are not explicitly modeled.<sup>2</sup>

To allow for the possibility that employers do not necessarily know the immigration status of individual workers, a "signaling" framework is developed in which employers rely on worker characteristics—signals—to provide information about the probability that the worker is authorized. Unless the signal provides complete information, that is, perfectly predicts legal status, the labor demand for all workers declines as the result of sanctions. This theoretical framework is consistent with empirical evidence suggesting that

<sup>1</sup> Two separate legalization programs were mandated in IRCA. A general amnesty program for the long-term legalization applicant worker (so-called LAW) applied to individuals who could demonstrate continuous presence in the U.S. labor market since 1982. The second, the Special Agriculture Worker (SAW) program, applied only to individuals employed in agriculture; this group has not been included in the analysis.

<sup>2</sup> In the empirical analysis, this theoretical restriction is relaxed, and reduced-form wage equations are estimated that permit employer sanctions to decrease the supply of undocumented workers.

one result of IRCA has been to sensitize employers to the national origin and citizenship status of workers (U.S. General Accounting Office 1990).

The theoretical effect of legalization on aggregate wages is ambiguous. In the short run, legalization may have little effect on wages because IRCA's legalization provision was directed toward providing amnesty for workers already well established in the U.S. labor market. Thus, legalization involved only a change in legal status—without a change in human capital—of workers already present. At the same time, if legal status is a separate factor of production even after controlling for differences in human capital, changing the relative supplies of authorized and unauthorized workers could change aggregate wage rates. Finally, in the longer run, legalization may improve the overall wage rates of newly legalized individuals to the extent that it affords workers increased job mobility or an opportunity to increase their human capital. As these workers come into competition with authorized U.S. workers, however, they are likely to exert downward pressure on aggregate wages.

Empirical research has just begun to assess IRCA's labor market implications. These studies—mostly case studies and descriptions of survey data—suggest that IRCA's impact has been small.<sup>3</sup> Other studies have provided a theoretical framework but have not generated empirical results. For example, in anticipation of IRCA, Bailey (1985) framed several of the theoretical issues involved in the proposed legalization program by focusing on the implications of legal status for wage rates, compliance with labor laws, union membership, and so forth. Hill and Pearce (1990) provide some calculations based on a simple general equilibrium model of employer sanctions enforcement. After identifying those industries where sanctions are most likely to be enforced and making various assumptions about the overall level of government enforcement effort, they use their model to simulate the effect of employer sanctions on wage rates. While these studies provide a useful starting point for analyzing IRCA's labor market impact, the independent effects of employer sanctions and legalization on the labor market have not been separately identified. In addition, these studies do not provide a theoretical framework for evaluating the empirical results.

The first section of this article focuses on the effect of employer sanctions on the demand for labor. Following that, aggregate labor demand and supply equations are specified and used to solve for the equilibrium wage. After a discussion of estimation methods and the data, empirical results are presented. Finally, a summary and conclusions are provided.

## II. Employer Sanctions and Equilibrium Wages

The goal of employer sanctions is to raise the cost of hiring unauthorized workers relative to authorized workers. By eliminating U.S. job oppor-

<sup>3</sup> See, e.g., U.S. General Accounting Office 1988, 1990; Baker 1990; Crane et al. 1990; Fix and Hill 1990; Bach and Brill 1991; President's Report 1991b.

tunities for undocumented workers, the “pull” of U.S. employment is eliminated, and illegal migration is reduced. Our objective is to develop a theoretical framework that illustrates the most important theoretical effects of employer sanctions and that can be used to evaluate the empirical results.

Following Hill and Pearce (1990), the theoretical model outlined below assumes that sanctions act as a tax on the employment of unauthorized workers. The result is an increase in the expected cost to firms of hiring an additional unit of unauthorized labor. For simplicity, it will also be assumed that authorized and unauthorized workers are equally productive and have identical preferences for leisure and goods. Unauthorized workers are thus assumed to supply the same amount of labor as authorized workers at a given wage rate. The only difference between these two groups is that a firm employing unauthorized workers is subject to sanctions if detected.

At the same time, employers do not necessarily know the legal status of individual workers (Bailey 1985).<sup>4</sup> Instead, they may rely on “signals” that they believe provide information about the probability that different workers are authorized to work in the United States (see Golbe 1985). For example, firms may believe that foreign-appearing workers, Hispanics, or workers who present a particular type of work-authorization document have a lower probability of being authorized than other workers.<sup>5</sup> Firms are assumed to use these signals to calculate the expected sanction for each worker hired.

In order to capture this uncertainty regarding legal status, our model considers two labor groups—Hispanics and non-Hispanics—each with a different probability of being unauthorized. Although other signals could be considered, we simplify by assuming that Hispanic status is the only signal that provides the employer with information about the probability that an individual worker is unauthorized. In analyzing the effect of employer sanctions on wages, we first specify labor demand and supply effects and then solve for equilibrium wages.

<sup>4</sup> On the basis of a review of several pre-IRCA studies, Bailey (1985) concludes that although most firms did not establish hiring practices that would exclude illegal aliens, they also did not seek them out. As a result, “they do not know the immigration status of a particular worker.”

<sup>5</sup> In order to prove that they are authorized to work in the United States, workers must establish both identity and work-authorization status. The Immigration Reform and Control Act prescribes several combinations of documents that can be used for this purpose, e.g., a passport alone or a birth certificate along with picture identification. Several documents issued by the Immigration and Naturalization Service can also be used to establish a resident alien’s right to work in the United States. In practice, employers tend to be more willing to accept the kinds of documents that are more familiar and that they believe are less likely to be fraudulent (U.S. General Accounting Office 1990, p. 52).

## Labor Demand

The cost to the firm of hiring an additional unit of labor—whether Hispanic or non-Hispanic—equals the wage rate plus the amount expected to be paid in sanctions. In other words,

$$w'_i = w_i + S_i \quad (1)$$

where  $w'_i$  is expected labor cost,  $w_i$  is wage rate paid to labor, and  $S_i$  is expected sanctions per labor hour.<sup>6</sup> Expected sanctions are the product of the probability that a given worker is undocumented and the amount of the sanction per undocumented worker. In particular,

$$S_i = \text{pr}(I|H)S \quad \text{for } i = 1, \dots, H, \quad (2)$$

and

$$S_i = \text{pr}(I|NH)S \quad \text{for } i = H + 1, \dots, P, \quad (3)$$

where  $\text{pr}(I|H)$  is the probability of being undocumented given that the worker is Hispanic,  $\text{pr}(I|NH)$  is the probability of being undocumented given that the worker is not Hispanic,  $S$  is the amount of the sanction per illegal worker per hour, and  $P = H + NH$ . The probability of being undocumented is assumed to differ between Hispanic and non-Hispanic workers, so expected sanctions differ as well.

This signaling framework has several important implications. First, unless the signal provides complete information—that is, the probability of being unauthorized given that the worker is non-Hispanic is zero, and the probability of being unauthorized given that the worker is Hispanic is one—the cost of hiring all workers, both Hispanic and non-Hispanic, is increased once sanctions are imposed. Second, when the signal provides no information and the probability of being illegal does not depend on Hispanic status, employers expect to pay the same amount in sanctions for both Hispanic and non-Hispanic workers. The less information employers have about individuals' work-authorization status, the more widespread will be the effects of employer sanctions.

This model of firm behavior appears consistent with the observed responses of employers to IRCA's implementation. On the basis of a national survey of employers' reactions to IRCA, the U.S. General Accounting Office found that a substantial number of employers were checking the work-authorization documents of only those new employees "who were

<sup>6</sup> Note the following indexes:  $h$  = Hispanic status,  $i$  = households,  $j$  = industries,  $k$  = metropolitan areas, and  $n$  = firms.

suspected of being unauthorized aliens because of foreign appearance or accent" (U.S. General Accounting Office, 1990, p. 116). Of all employers, 5% reported that their firms had stopped hiring foreign-appearing or -sounding persons as a result of IRCA. Whether a result of the mistaken belief that this is what the law requires, or the result of a desire to avoid sanctions, it is apparent that one outcome of requiring employers to verify the work-authorization status of employees has been a greater sensitivity to the national origin and citizenship status of potential employees.

In order to determine the effect of employer sanctions on a firm's demand for labor, we must make an assumption about the firm's production technology. We will assume that the representative firm's value-added function is Cobb-Douglas with share parameter  $a$  and two arguments,  $(l_H + l_{NH})^7$  and the capital stock, where  $VA$  indicates value added,  $l_H$  is Hispanic labor hours, and  $l_{NH}$  is non-Hispanic labor hours. The firm is assumed to choose its capital and labor inputs so that profits are maximized. These assumptions imply that the firm's demand for labor is given by

$$l_b^d = a \frac{VA}{w_b}, \quad (4)$$

where  $b = H, NH$ .

#### Labor Supply

Both Hispanic and non-Hispanic workers are assumed to make choices about their consumption of leisure and goods so that utility is maximized. All workers are assumed to have identical preferences over leisure and goods. Finally, we assume that individuals face an augmented Stone-Geary utility function as follows:

$$u_i = \alpha_0 \ln(q_{0i} - \gamma_0) + (1 - \alpha_0) \ln(q_i - \gamma), \quad (5)$$

where  $i = 1, \dots, H, H + 1, \dots, P$ . Further,  $u_i$  is utility,  $q_{0i}$  is leisure, and  $q_i$  is the composite consumption good (see Deaton and Muellbauer 1980, p. 95). The budget constraint is given by

$$w_i T + \mu_i = p q_i + w_i q_{0i}, \quad (6)$$

where  $w_i$  represents the wage rate,  $T$  represents the endowment of time (i.e., 24 hours in a day),  $\mu_i$  represents nonlabor income, and  $p$  is an index of consumption good prices.

<sup>7</sup> Because all workers are assumed to be equally productive, firms care only about total labor hours and not their distribution between the two labor groups.

Solving the utility maximization problem for the demand for leisure results in the following labor supply function,  $l_i^s$ :

$$l_i^s = (1 - \alpha_0)(T - \gamma_0) - \alpha_0 \frac{\mu_i}{w_i} + \alpha_0 \gamma \frac{p}{w_i}. \quad (7)$$

#### Labor Market Equilibrium

Figure 1 shows the labor supplied by a representative Hispanic ( $l_H^s$ ) and non-Hispanic ( $l_{NH}^s$ ) worker as a function of the total labor cost, which includes expected sanctions, rather than wage rates. Because the tastes and preferences of Hispanic and non-Hispanic workers are assumed to be identical, when faced with the same wage rate, each would supply the same amount of labor to the market. As a result, when graphed against total labor cost, that is, wages plus sanctions, the vertical distance between  $l_H^s$  and  $l_{NH}^s$  is equal to the difference in expected sanctions ( $S_H - S_{NH}$ ).<sup>8</sup>

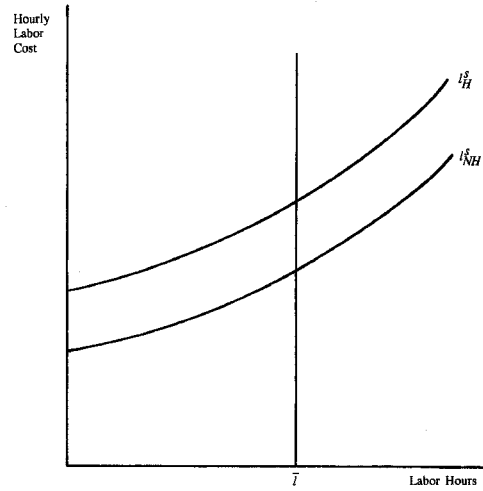


FIG. 1

<sup>8</sup> To see this note that at  $\bar{T}$  it is the case that  $w_H - w_{NH} = 0$ .

Aggregate labor supply,  $L^S$ , is simply the horizontal sum of labor supplies over all Hispanic and non-Hispanic workers (see fig. 2).

Figure 2 also shows the aggregate labor demand curve,  $L^D$ , which is the horizontal sum of labor demands over all firms. The representative firm is indifferent between hiring an additional Hispanic or non-Hispanic worker at any given labor cost because all workers are assumed to be equally productive. A necessary condition for equilibrium is that wages paid to Hispanics ( $w_H$ ) and non-Hispanics ( $w_{NH}$ ) adjust so that the cost of hiring an additional unit of Hispanic labor ( $w'_H$ ) is equal to the cost of hiring an additional unit of non-Hispanic labor ( $w'_{NH}$ ). Specifically,

$$\left. \begin{aligned} w'_H &= w'_{NH} = w', \\ \text{and} \\ w_H - S_H &= w_{NH} - S_{NH}. \end{aligned} \right\} \quad (8)$$

Equilibrium results when equation (8) is satisfied and wages adjust so that the total labor supplied by both Hispanic and non-Hispanic workers is equal to the total labor demanded by all firms:<sup>9</sup>

$$\sum_{i=1}^P L_i^S = \sum_{n=1}^N \sum_{i=1}^P L_{ni}^D. \quad (9)$$

For our purposes it will be useful to express equilibrium in terms of labor income rather than labor hours for the following reasons. First, it is necessary to solve for equilibrium in terms of  $w_i$  rather than  $w'$  because we observe wages net of sanctions. Second, given the specification of the utility function, expressing equilibrium in terms of labor income results in a linear wage equation.

Expressing labor market equilibrium in terms of labor income rather than labor hours can be accomplished by using the fact that the cost of hiring an additional unit of Hispanic labor ( $w'_H$ ) is equal to the cost of hiring an additional unit of non-Hispanic labor ( $w'_{NH}$ ). (See eq. [8].) Multiplying both sides of equation (9) by  $w'$  yields

$$\sum_{i=1}^P w' L_i^S = \sum_{n=1}^N \sum_{i=1}^P w' L_{ni}^D = NaVA,$$

where the last equality follows from equation (4). This can be expressed as a function of offered wages and expected sanctions by using equation (8) and rearranging:

<sup>9</sup> Note that  $L_{ni}^D$  is firm  $n$ 's demand for labor from individual  $i$ .

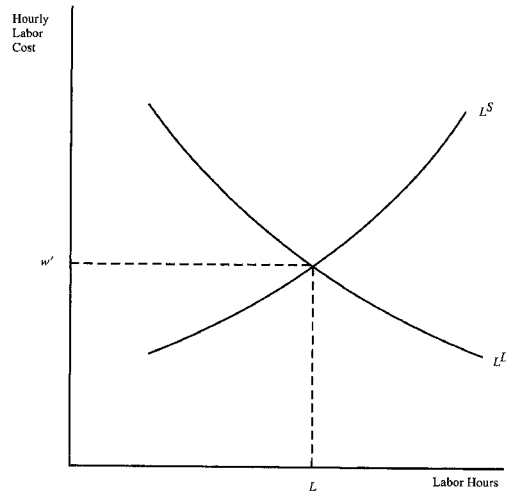


FIG. 2

$$\sum_{i=1}^P w_i l_i^s = NaVA - \sum_{i=1}^P S_i l_i^s.$$

Inserting the labor supply,  $l_i^s$  given in equation (7), on the left-hand side of this equation we obtain

$$\sum_{i=1}^P [w_i(1 - \alpha_0)(T - \gamma_0) - \alpha_0 \mu_i + \alpha_0 \gamma p] = NaVA - \sum_{i=1}^P S_i l_i^s.$$

Defining sample means  $\bar{w} = \sum_{i=1}^P \frac{w_i}{P}$  and  $\bar{\mu} = \sum_{i=1}^P \frac{\mu_i}{P}$ , we have

$$P[(1 - \alpha_0)(T - \gamma_0)\bar{w} - \alpha_0 \bar{\mu} + \alpha_0 \gamma p] = NaVA - \sum_{i=1}^P S_i l_i^s.$$



Finally, we can now solve for the mean equilibrium wage received by workers:

$$\bar{w} = [(1 - \alpha_0)(T - \gamma_0)]^{-1} \left[ \frac{1}{P} (NaVA - \sum_{i=1}^P S_i I_i) + \alpha_0 \bar{\mu} - \alpha_0 \gamma p \right]. \quad (10)$$

The first component of the second right-hand-side term is the value-added net of the expected value of sanctions in a metropolitan area, divided by total population. The mean equilibrium wage is also a function of mean nonlabor income and an index of consumption-good prices.

This model differs from the analysis of employer sanctions developed by Crane et al. (1990) in two major ways. First, their model implicitly assumes that employers know the legal status of individual workers with certainty. This assumption implies that employer sanctions act as a tax only on the hiring of unauthorized workers. In contrast, our signaling framework suggests that the less that employers know about legal status the more widespread will be the effect of sanctions. Second, the model presented here does not allow employer sanctions to shift the labor supply curve. This assumption seems reasonable because existing empirical research suggests that employer sanctions have not resulted in any significant reduction in the flow of illegal migrants into the U.S. labor market (President's Report 1991a). In the absence of such a supply shift, the theoretical effect of employer sanctions on the wages workers receive is unambiguously negative. In any event, the empirical model simply includes a measure of employer sanctions as a right-hand-side variable in the reduced-form equation for wages. Notwithstanding the theoretical discussion above, our empirical model thus allows for the possibility that employer sanctions shift the labor supply curve.

### III. Metropolitan-Area Wages

Unfortunately, although this theoretical model provides a useful starting point for analyzing the effect of employer sanctions on wages, a lack of more disaggregated data necessitates several simplifying assumptions. As a result, the model is not sufficiently complex to allow us to consider all of the determinants of metropolitan wage rates. In an effort to control for other factors, the proportion of the labor force that is newly legalized and the industrial composition of the labor market will also be incorporated into the empirical estimation.

#### Newly Legalized Population

Legal status plays a limited role in the labor market equilibrium model derived above. The only difference between authorized and unauthorized workers incorporated into the model stems from the expected cost of

employer sanctions. This is appropriate given that wage and other data needed for estimation are not separately available for authorized and unauthorized workers.

Nonetheless, it is useful to analyze further the effect of IRCA's legalization provision on metropolitan wages. In theory, IRCA's general legalization program was intended to change the legal status of certain workers already present in the U.S. labor market. This, along with the fact that other human capital characteristics of workers, for example, education, English language ability, and so forth remained unchanged, led Bailey (1985, p. 222) to predict that "the replacement of all illegal with resident aliens who are otherwise similar would have only weak effects on the labor market."<sup>10</sup>

Although IRCA was directed toward long-term undocumented workers already present in the United States (the so-called LAWs), its legalization provisions may also affect wage rates if they led to an increase in the number of undocumented workers entering the United States. This theoretical possibility arises because, in addition to this general amnesty program, IRCA also offered amnesty to short-term seasonal agricultural workers (the so-called SAWs) under a separate program. Some researchers suggest that the large degree of fraudulent applications in the SAW program indicates that many applicants for the agricultural program intended to work outside agriculture, perhaps in manufacturing (Martin and Taylor 1988).<sup>11</sup> Other research suggests, however, that most SAWs in fact tend to work in agriculture (Commission on Agricultural Workers 1992), leaving the supply of undocumented workers in manufacturing unaffected. While still a matter of debate, to the extent that IRCA's SAW program resulted in an increase in the supply of undocumented workers in manufacturing, we would expect that this increase in supply would tend to reduce wages.<sup>12</sup>

There are other reasons to believe that legalization may affect wage rates. For example, authorized and unauthorized workers may be functionally different inputs into the production function (see Bean, Lowell, and Taylor

<sup>10</sup> If, however, unauthorized workers have a lower reservation wage than authorized workers, legalization might cause newly legalized workers to work fewer hours at the same wage by raising their reservation wages. This reduction in supply would tend to increase wages (Bailey 1985).

<sup>11</sup> Martin and Taylor (1988) estimate that the 1.3 million SAW applications were approximately four times the expected turnout and, further, are approximately twice as great as the number of short-term agricultural workers in the United States. These estimates imply that IRCA did lead to an increase in the labor supply of workers claiming to work in agriculture.

<sup>12</sup> It is improbable that our exclusion of SAWs will affect our estimation of legalization's impact because the SAW and LAW populations have a similar geographic distribution (Pearson  $r = 0.98$ ) for the state distribution. Thus, inclusion of SAWs in our regressions would likely result only in a change in the estimated coefficient on legalization, with no effect on the  $t$ -statistic or on the elasticity of wages with respect to legalization.

1988). In this event—although aggregate labor supply would be unchanged—legalization would increase the supply of authorized workers and decrease the supply of unauthorized workers, thereby changing relative wages. Rivera-Batiz and Sechzer (1990) argue, however, that immigrants and natives should be distinguishable as inputs into the production process only by differences in their human capital endowments (education and experience) and not by nativity. To the extent that this argument applies to legal status as well as nativity, a change in legal status without a corresponding change in human capital endowments or aggregate supply implies that legalization would not affect the relative wages of authorized and unauthorized workers.

Finally, legalization may have long-run implications for metropolitan wages if it affords newly legalized individuals the ability to move into jobs where their human capital is more effectively utilized or to accumulate more human capital. In fact, IRCA required legalization applicants to complete both an English course and a civics course. Increased human capital may result in higher earnings for workers who took advantage of these programs. In addition, legalization may provide increased labor market mobility. For example, newly legalized workers may no longer be restricted to certain segments of the labor market. Additionally, they may be able to move from “nonvisible” jobs to “visible” jobs. Accumulation of human capital and increased labor market mobility are expected to improve the long-run earnings potential of newly legalized individuals and, as a result, affect overall wage rates.

Although the direction of the effect is theoretically ambiguous, we shall control for these potential effects of legalization by including the following variable in the wage equation:

$$L_{kt} = \sum_{s=1}^t \frac{\text{LAPS}_{ks}}{P_{ks}},$$

where  $\text{LAPS}_{kt}$  is the number of individuals who are legalized by metropolitan area and time period, and  $P_{kt}$  is the total population in metropolitan area  $k$  during year  $t$ .

#### Industrial Composition

Lacking data disaggregated by industry, we include an index that isolates the effects of changes in industrial mix on average manufacturing wages. Aggregation of labor demand over all manufacturing industries within a metropolitan area introduces two biases. First, average manufacturing wages vary over metropolitan areas partly because of differences in industry mix. Detroit, Michigan, for example, may have higher average wages than Portland, Maine, partly because a greater proportion of Detroit employment is in heavy industry. Second, the average manufacturing wage in a met-

ropolitan area will change over time partly in response to changes in the industry composition of employment. Employment declines in low-skilled, labor-intensive industries due to import competition or other factors will tend to increase average manufacturing wages in a metropolitan area even if wages in each industry have not changed.

We control for variations in industry composition over time and over metropolitan areas by including an index of national level wages by industry on the right-hand side of the labor demand equation. The industry-composition index,  $I_{k,t}$ , is a weighted average of national level wages by two-digit manufacturing Standard Industrial Classification (SIC) industries (indexed by  $j$ ) for each year (indexed by  $t$ ),  $w_{jt}$ , weighted by the employment share of production workers in each two-digit SIC and metropolitan area (indexed by  $k$ ) for each year,  $E_{kjt}/E_{k,t}$ :

$$I_{k,t} = \sum_j w_{jt}(E_{kjt}/E_{k,t}),$$

where  $E_{k,t} = \sum_j E_{kjt}$ . Inclusion of  $I_{k,t}$  on the right-hand side of the labor demand equation controls for differences in wages across metropolitan areas as a result of differences in industry composition. It also controls for variation in wages over time that result from shifts in industry composition within a metropolitan area. Finally, by incorporating the national wage rate in various manufacturing industries, the effects of the business cycle on metropolitan wage rates are also controlled for.

#### Estimating Equation

Adding these controls to (10) results in the final wage equation to be estimated:<sup>13</sup>

$$\bar{w}_{kt} = \beta_1 \left( \frac{\alpha VA_{kt}}{P_{kt}} \right) + \beta_2 \left( \frac{SL_{kt}}{P_{kt}} \right) + \beta_3 p_{kt} + \beta_4 I_{k,t} + \beta_5 L_{kts}, \quad (11)$$

where

$$VA_{kt} = \sum_{n=1}^N VA_{knts},$$

$$SL_{kt} = \sum_{i=1}^P S_{ikt} l^i_{ikts}$$

$$\beta_1 = -\beta_2 = [(1 - \alpha_0)(T - \gamma_0)]^{-1},$$

and

$$\beta_3 = -\alpha_0 \gamma [(1 - \alpha_0)(T - \gamma_0)]^{-1}.$$

<sup>13</sup> Nonlabor income has been dropped from the estimation as a result of a lack of reliable data.

Given the specification of the utility function, we expect that  $\beta_1 > 0$  and  $\beta_2, \beta_3 < 0$ .<sup>14</sup> Further, given the specification of the industry-composition index, it is expected that  $\beta_4 > 0$ . Metropolitan areas with more high-skill industry will have higher average manufacturing wages, and shifts toward high-skilled employment over time will raise a metropolitan area's average wage over time. The number of individuals legalizing in a metropolitan area has an ambiguous effect on average wages. If authorized and unauthorized workers are separate factors of production, for example, increasing the number of authorized workers and reducing the number of unauthorized workers decreases the wages of authorized workers and increases the wages of unauthorized workers. As a result of these and other competing effects discussed above, the sign of  $\beta_5$  is ambiguous.

#### IV. Estimation Methods

This section discusses the two main econometric estimation procedures used in this article. First, assuming that all of the right-hand-side variables in the wage equation (11) are exogenous, and including fixed metropolitan area and time effects, a standard least-squares dummy variables estimation procedure is described. Considerable attention is given to the assumption that the metropolitan-area and time effects should be treated as fixed parameters in the estimation procedure. Hausman's (1978) test is used to discriminate between the fixed and random effects hypotheses. Second, the wage equation is embedded in a three-equation structural system to allow for the possibility that the number legalized is endogenously determined. Then, a two-stage least squares procedure is outlined for estimation of one of the three equations in this model (the aforementioned wage equation), again assuming two-way fixed effects.<sup>15</sup> The remaining two equations are used to clarify the endogeneity between legalization and the wage and therefore to prescribe the list of instrumental variables.

##### Exogenous Regressors

Wages may depend partly on metropolitan-area-specific or time-specific variables that have been omitted from equation (11). Adding these and modifying the notation somewhat to facilitate a discussion of estimation method, the wage equation is as follows:

$$y_{kt} = \alpha + \nu_k + w_t + \beta_1 x_{1kt} + \beta_2 x_{2kt} + \beta_3 x_{3kt} + \beta_4 x_{4kt} + \beta_5 x_{5kt} + u_{kt}. \quad (12)$$

<sup>14</sup> In the theoretical model, an increase in  $p$  induces substitution of leisure for consumption goods so that labor supply falls and  $\beta_1 < 0$ . In the empirical model, however, changes in  $p$  may reflect monetary phenomena so that we may find  $\beta_1 > 0$ .

<sup>15</sup> All estimation is conducted using the LIMDEP Version 6.0 computer program developed by William H. Greene.

All of the variables  $x_{ikt}$  on the right-hand side of equation (12) are assumed to be exogenous.<sup>16</sup> In this equation,  $\alpha$  and  $\beta_j$  are fixed parameters, and  $\mu_{ikt}$  is a random disturbance term.

Although metropolitan-area effects  $v_k$  and time effects  $w_t$  in equation (12) are assumed to be random variables, they may be treated as either fixed or random in the econometric estimation procedure. If they are treated as fixed in the estimation procedure, then statistical inference is conditional on the values of the metropolitan-area and time effects in our data sample. If they are treated as random in the estimation procedure, then inference is unconditional, and one can draw implications for the nature of wage determination for some larger population of metropolitan areas and time periods (Hsiao 1986).

To assess the implications of IRCA for the cities and years in our data sample, we believe it is appropriate to condition statistical inference on the values of the metropolitan-area and time effects in our sample. The metropolitan areas and time periods in this analysis are not randomly selected. Because of our interest in this particular policy, we focus on the set of years and metropolitan area chosen, not on some larger population of years and metropolitan areas. Thus for theoretical reasons, we believe it is appropriate to treat  $v_k$  and  $w_t$  as fixed in the estimation procedure and to conduct inference conditionally on them.

Equation (12) is estimated based on the assumption that  $v_k$  and  $w_t$  are fixed parameters, regression disturbances  $\mu_{ikt}$  obey all classical properties (i.e., zero mean, homoscedastic, and serially independent), and all regressors are exogenous. This entails including dummy variables for each metropolitan area and time period and then applying ordinary least squares (OLS).<sup>17</sup> This estimator is sometimes referred to as the least-squares dummy variable (LSDV) estimator. The LSDV estimator is unbiased, consistent, and efficient under the assumed conditions.

While we believe that fixed-effects estimation is more appropriate in the present context, it is possible to choose between the fixed and random effects estimation approaches based on Hausman's testing procedure. This test utilizes the fact that the generalized least squares random effects estimator will diverge from the fixed-effects LSDV estimator if the ran-

<sup>16</sup> Variable definitions are as follows:  $y_{ikt}$  = hourly wage ( $\bar{w}_{ikt}$ );  $x_{1ikt}$  = value added, divided by population ( $VA_{ikt}/P_{ikt}$ );  $x_{2ikt}$  = fines ( $SL_{ikt}/P_{ikt}$ );  $x_{3ikt}$  = consumer price index ( $P_{ikt}$ );  $x_{4ikt}$  = industry-composition index ( $I_{ikt}$ ); and  $x_{5ikt}$  = number legalized, divided by population ( $L_{ikt}$ ).

<sup>17</sup> To avoid perfect multicollinearity between the constant term and the metropolitan-area and time dummy variables, the following constraints are imposed within the estimation procedure:  $\sum_{k=1}^K v_k = \sum_{t=1}^T w_t = 0$ .

dom effects are correlated with the regressors. The null hypothesis is that the regressors are uncorrelated with the random effects, whereas the alternative hypothesis is that they are indeed correlated. If the null hypothesis is rejected, then the fixed-effects estimator will be preferable because it is consistent even if the alternative hypothesis is true.

#### Endogeneity of the Number of Legalization Applicants

In Sections II and III, we specified a model of labor market equilibrium in which the hourly wage rate in each metropolitan area and time period is a function of—among other things—the number of workers legalized under IRCA (divided by population). This section considers the possibility that the number of people granted legal status under IRCA may in turn be a function of the wage rate. To incorporate this possible endogeneity into the econometric estimation procedure, the wage equation given in equation (11) is embedded in a three-equation structural system that accounts for the distribution of legalization applicants across metropolitan areas and years.

To begin, a second equation is specified that determines the number of legalized individuals in a metropolitan area. The number legalized is identically equal to the number of undocumented workers multiplied by the fraction legalized. If the fraction legalized were the same for all metropolitan areas and time periods, then the number legalized would be proportional to the number of undocumented workers. Alternatively, it is possible that the fraction legalized is positively related to metropolitan wages. In this event, the number legalized would be a function of the wage as well as the number of undocumented workers.

Next, a third equation is specified that determines the number of undocumented workers in each metropolitan area. While measurement of the number of undocumented workers poses obvious difficulties, it is worth emphasizing that we do not actually intend to estimate a structural equation containing the number of undocumented workers on the left-hand side. Our purpose is to clarify the nature of endogeneity between the number legalized and the wage via the number of undocumented workers; this in turn suggests the set of instrumental variables that should be used to correct for endogeneity.

The issue in specifying this third equation is what determines location choice for undocumented workers. Here, we have relied on previous research on the determinants of internal migration and the U.S. location choice of international migrants. The internal migration literature suggests that there are clearly economic reasons for location choice (see Greenwood [1975] for a review). This implies that variables like wages, market size (as measured, e.g., by metropolitan area value added), cost of living, and industry composition will be important determinants of location choice. In

addition, we believe that because of their inability to move freely throughout the U.S. labor market, undocumented workers possess limited information about wages in different U.S. metropolitan areas. This implies that both current and past wages may be relevant to their location decisions. To capture this in a parsimonious manner, we include the current period wage and a weighted average of the first five lagged wages with weights as specified in equation (15).

Previous studies of international migration emphasize the importance of established immigrants (particularly those within the same ethnic group) in the location choice of new immigrants. On a theoretical level, Bailey and Gallo (1994) point to the importance of the information capital embodied in job networks. In effect, job search is less costly if there is a network of others in the community who share a common language, ethnicity, and so on. Job networks may be even more critical for undocumented migrants because they must find work without the sanction of U.S. authorities. Furthermore, the number of established immigrants in a metropolitan area may be an important determinant of location choice because new immigrants may wish to reunite with other family members.

Empirical evidence tends to support this relationship. Bartel (1989) estimates a cross-sectional model of the determinants of the location choice of recent immigrants. Her model includes wages (along with other measures of labor market opportunity), distance from the home country (which measures the pecuniary and information costs of migration), and the lagged proportion of the ethnic population in the metropolitan area. These results suggest that while wages and other factors are important, the main determinant of location choice is the presence of an established immigrant community of the same ethnic group.

On the basis of this review, we capture the importance of job networks to undocumented workers by including the 10-year-lagged estimate of the number of undocumented migrants in each metropolitan area in the third structural equation. This variable is lagged partly because of data availability and partly because this length of lag will ensure that it is uncorrelated with the wage. Because undocumented workers are primarily Mexican, we also include distance from the Mexican border to capture the cost of migration.<sup>18</sup>

Together, the three equations described above constitute a complete structural system that is shown below:

<sup>18</sup> Both the internal migration literature and Bartel (1989) suggest that public assistance levels are also determinants of location choice. Because undocumented migrants do not qualify for public assistance, we have opted to exclude this from the model.



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$$y_{1kt} = \alpha_1 + v_{1k} + w_{1t} + \gamma_{12}y_{2kt} + \beta_{11}x_{1kt} + \beta_{12}x_{2kt} \\ + \beta_{13}x_{3kt} + \beta_{14}x_{4kt} + u_{1kts} \quad (13)$$

$$y_{2kt} = \alpha_2 + v_{2k} + w_{2t} + \gamma_{21}y_{1kt} + \gamma_{22}y_{3kt} + u_{2kts} \quad (14)$$

and

$$y_{3kt} = \alpha_3 + v_{3k} + w_{3t} + \gamma_{31}y_{1kt} + \beta_{31}x_{1kt} + \beta_{32}x_{2kt} \\ + \beta_{33}x_{3kt} + \beta_{34}x_{4kt} + \beta_{36}x_{6k,t-10} + \beta_{37}x_{7kt} \\ + \beta_{38}(0.5y_{1k,t-1} + 0.2y_{1k,t-2} + 0.15y_{1k,t-3} \\ + 0.1y_{1k,t-4} + 0.05y_{1k,t-5}) + u_{3kts}. \quad (15)$$

Index  $k$  refers to the metropolitan area and runs from 1 to  $K$ . Index  $t$  refers to the time period and runs from 1 to  $T$ . Endogenous variables are denoted by  $y$ , and exogenous variables are denoted by  $x$ .<sup>19</sup> Structural coefficients on endogenous variables are denoted by  $\gamma_{ij}$ , while structural coefficients on predetermined variables, which include both exogenous and lagged endogenous variables, are denoted by  $\beta_{ij}$ . An intercept,  $\alpha_i$ , a metropolitan-area effect,  $v_{ik}$ , and a time effect,  $w_{it}$ , are included in equations (13), (14), and (15). Finally, the three equations include a random disturbance term,  $u_{ikt}$ .

The objective here is to obtain consistent estimates of coefficients in the first structural equation (13). Although  $v_{ik}$  and  $w_{it}$  are random, for the reasons discussed above, it is appropriate to treat them as fixed parameters in the estimation procedure. Predetermined variables  $x_{6k,t-10}$ ,  $x_{7kt}$ , and  $(0.5y_{1k,t-1} + 0.2y_{1k,t-2} + 0.15y_{1k,t-3} + 0.1y_{1k,t-4} + 0.05y_{1k,t-5})$  are excluded from equation (13) so that it is overidentified, assuming that the rank condition for identification holds. The second structural equation (14) is also overidentified, assuming the rank condition holds, and the third equation (15) is not identified unless  $\beta_{3j} = 0$  for at least one  $j = 1, \dots, 4$ .

We follow other similar econometric analyses in using two-stage least squares (2SLS) to correct for the endogeneity of the number of legalization applicants (see Borjas 1987; Bean, Lowell, and Taylor 1988). Two-stage estimation of equation (13), based on the two-way fixed-effects model, is conducted by first forming unbiased predictions  $\hat{y}_{2kt}$  for the number le-

<sup>19</sup> Variable definitions are as follows:  $y_{1kt}$  = hourly wage ( $\bar{w}_{kt}$ );  $y_{2kt}$  = number legalized, divided by population ( $L_{kt}$ );  $y_{3kt}$  = number of undocumented workers;  $x_{1kt}$  = value added, divided by population ( $VA_{kt}/P_{kt}$ );  $x_{2kt}$  = fines ( $SL_{kt}/P_{kt}$ );  $x_{3kt}$  = consumer price index ( $p_{kt}$ );  $x_{4kt}$  = industry composition index ( $I_{k,t}$ );  $x_{6k,t-10}$  = 10-year lagged stock of undocumented migrants;  $x_{7kt}$  = distance to the Mexican border.

galized based on OLS estimation of the reduced-form equation for  $y_{2ht}$ .<sup>20</sup> Then, OLS is applied to structural equation (13), modified by replacing the actual value of the number legalized,  $y_{2ht}$ , with its predicted value,  $\hat{y}_{2ht}$ .<sup>21</sup>

#### V. Data Sources

Measures of average hourly wages for production workers in manufacturing were obtained from the U.S. Bureau of Labor Statistics monthly 790 Establishment Survey for 115 different metropolitan areas for 1975–89. We have chosen to study the effect of IRCA on the wages of production workers in manufacturing for several reasons. Manufacturing has been a source of employment for many unauthorized workers. Hill and Pearce (1990) estimate that manufacturing industries are predominant among those industries with a large number of unauthorized workers per establishment. In fact, of the 21 industries estimated to have at least two unauthorized workers per establishment, 17 were in manufacturing (Hill and Pearce 1990, p. 34). Furthermore, the largest single group of newly legalized workers, almost 30%, were employed in manufacturing at the time of their application for amnesty (President's Report 1991a, chap. 8). Thus, IRCA's legalization provisions may have important implications for manufacturing wages.

State-level value added in manufacturing was obtained from various issues of the U.S. Bureau of the Census, *Census of Manufactures* and *Annual Survey of Manufactures*. Unfortunately, data on metropolitan-level value added are available only for 1977, 1982, and 1987. Using each metropolitan area's relative contribution to state-level value added in these years, state-level value added was proportionally allocated to metropolitan areas in the remaining years. Consumer prices were obtained from the Bureau of Labor Statistics. For a small number of areas, metropolitan-level data on prices were available. Elsewhere regional-level averages by size of metropolitan area were used. Finally, the industry composition variable was calculated using employment and wage data from the Bureau of Labor Statistics Establishment Survey.

In order to disentangle the relative effects of IRCA's two major provisions on metropolitan wage rates, information on both employer sanctions and

<sup>20</sup> The reduced form for the structural equation system given in eqq. (13)–(15) is obtained by solving for each of the endogenous variables in terms of all of the predetermined variables in the system. Reduced-form equations for wages, the number legalized, and the number of undocumented workers are functions of an intercept, fixed effects for metropolitan areas and time periods, value added, fines, the consumer price index, the industry-composition index, the 10-year-lagged stock of undocumented workers, distance to the Mexican border, and a weighted sum of lagged wages.

<sup>21</sup> It is well known that estimated asymptotic variances for the 2SLS estimators cannot be based on the OLS regression residuals from the second-stage regression. Instead, the 2SLS estimators and the actual values of the number legalized are used to construct 2SLS regression residuals.

legalization is required. Data on the number of individuals in each metropolitan area who received amnesty in each year of IRCA's legalization program were obtained from the U.S. Immigration and Naturalization Service's (INS) Legalized Application Processing System. These data include only individuals who applied under IRCA's general amnesty program.

We obtained the dollar amounts of fines assessed by INS's notice of intent to fine (NIF) as well as the amounts of the final order fines (FOF). The NIF refers to the initial amount of fine assessed against the employer, while FOF is the amount collected after mediation between the employer and INS (see Fix and Hill 1990).<sup>22</sup> Data on the FOF are available only for 31 different INS district offices and 18 border patrol offices. Fortunately, NIF data are available by metropolitan areas, and we were able to use the NIF information to allocate district-level FOF information to metropolitan areas. Although the FOF data may be more closely related to the actual cost incurred by violators, the NIF data most reliably capture the distribution of INS fines across metropolitan areas. As a result, we believe that NIF data may measure expected cost more accurately than the FOF data. Because INS resource allocation decisions are made at the district office level, employers may also be sensitive to the level of district fines (Juffras 1991). Hence, we will consider three measures of employer sanctions: metropolitan-area NIF, district-level FOF allocated to metropolitan areas, and district-level FOF.

In estimation of the reduced-form equation for the number legalized, distance is measured as the minimum distance (measured in 1,000s of miles) between each metropolitan area and either El Paso or Tijuana (Fitzpatrick and Madlin 1986). While estimates of the number of undocumented workers by metropolitan area are by their very nature difficult to obtain, we have used estimates based on the 1980 census. The 10-year-lagged estimate of the number of undocumented in each metropolitan area is derived by subtracting legal aliens registered with the INS from the total alien population enumerated in the census (see Passel and Woodrow 1984; Bean, Lowell, and Taylor 1988). A comparison of this estimate to other analytic estimates of the undocumented population suggests that it is about 25% too low. There is no reason, however, to believe that the undercount varies markedly by metropolitan area (Bean, Lowell, and Taylor 1988). We use period of arrival to calculate the unauthorized stock between 1977 and 1979 and express it as a percentage of the metropolitan population. The remaining instrument is a weighted average of the first five lagged wages.

## VI. Empirical Results

The means and standard deviations for the sample are presented in table 1. For value added, legalization, and employer sanctions both the mean

<sup>22</sup> Michael Fix of the Urban Institute kindly provided us with these data.

**Table 1**  
**Means and Standard Deviations**

Variables	Mean	SD
Metropolitan hourly wage rate (\$):		
1975-89	8.08	2.26
1987-89	10.42	1.46
1988-89	10.58	1.47
Consumer prices (1982-84 = 100)	90.24	22.78
Industry composition index	8.08	2.06
Value added (in 1,000 \$)	3,953	6,019
Value added per 100,00 (in 1,000 \$)	402	222
Legalization applicants*	10,227	52,471
Legalization applicants per 100,000*	343	828
Notices of intent per metropolitan area (\$)†	36,044	82,570
Notices of intent per metropolitan area per 100,000 (\$)†	3,472	12,565
Final order fines per metropolitan area (\$)‡	8,190	20,997
Final order fines per metropolitan area per 100,000 (\$)‡	639	17,492
Total district fines (\$)†	55,596	43,537
Total district fines per 100,000 (\$)†	13,256	18,043

\* Averaged over 1987-89.

† Averaged over 1988-89.

‡ District-level final order fines have been allocated to metropolitan areas using information on notices of intent to fine.

and the mean per 100,000 residents are shown. Average wages are also shown for the entire period as well as for two different post-IRCA periods.

These statistics shed light on the magnitude of IRCA's effect on the metropolitan areas in our study. In particular, an average of 10,227 undocumented workers per metropolitan area applied for amnesty under IRCA's general legalization program between 1987 and 1989. On average, there were 343 applicants for every 100,000 metropolitan-area residents. Although sizable, these averages mask a large variance in the effect of the legalization program. In Los Angeles, for example, which received the largest number of legalization applications, almost 620,000 individuals applied for general amnesty. This amounted to over 7,100 applications for every 100,000 Los Angeles residents. These statistics suggest that, at least in some metropolitan areas, the effect of IRCA's legalization program is potentially quite large.

The effect of employer sanctions on the metropolitan areas in our study is also of interest. In 1988 and 1989, INS issued employers in each metropolitan area an average of \$36,044 in notices of intent to fine for either knowingly hiring unauthorized workers or failing to maintain the requisite paperwork. These fines were reduced more than 75% on average through the negotiation and appeal process. In the end, employers paid a metropolitan-area average of \$8,190 in final order fines. (In contrast, note that average metropolitan area value added in manufacturing was almost \$4 million in those years.) This amounted to an average of \$55,596 per INS district office. Like the data on legalization applications, employer sanctions

data exhibit a great deal of variation. In particular, INS's San Diego district and border patrol offices collected a total of \$135,455 in fines—more than two times the amount collected by the average district.

Results from the first-stage regression are presented in table 2. These results indicate that the 10-year-lagged estimate of the number of undocumented workers in a metropolitan area is significant and positively related to the number of legalization applicants per capita. This result has the expected sign and is consistent with existing research on the location choice of legal immigrants (Bartel 1989). At the same time, distance to the Mexican border is significant and negatively related to the number of legalization applicants per capita. This result is also consistent with our expectations and with existing migration research. Finally, lagged wages are unrelated to the legalization applicants in a metropolitan area. Second-stage regression results are not sensitive to the specification of the first-stage equation with the exception of the inclusion (or absence) of the 10-year-lagged estimate of the number of undocumented workers in a metropolitan area.

Finally, equations (12) and (13) were estimated by pooling cross-section data for 115 metropolitan areas over the time period 1975–89. As discussed in Section IV, we have theoretical reasons for preferring an estimation strategy that treats the effects of metropolitan areas and time periods as fixed parameters in the econometric estimation procedure. At the same time, it is possible to test this assumption using a Hausman test. The value of the *t*-statistic was 11.98 with 5 degrees of freedom. The critical value for this test is 11.07 at the 5% level, which led us to reject the random effects model. As a result, estimation proceeded using a two-way fixed-

**Table 2**  
**Determinants of Legalization Applications per Capita**

Independent Variables	OLS
Value added per capita	4.0088 (2.73)
Consumer prices	-.0011 (-2.93)
Industry composition index	.0114 (2.75)
Metropolitan notices of intent to fine per capita	-.2032 (-2.84)
Lagged wages per capita	-.0025 (-1.19)
Distance to the Mexican border	-.0326 (-4.62)
Lagged undocumented population	.7840 (107.53)
Constant	.0115 (.59)
<i>R</i> <sup>2</sup>	.878

NOTE.—*t*-statistics are in parentheses. OLS = ordinary least squares.

effects model that includes both time period and metropolitan-area dummies. Results are presented in table 3. For comparison purposes, both endogeneity-uncorrected and endogeneity-corrected results for the model including NIF are presented in columns (1) and (2). Endogeneity-corrected results for the models including metropolitan-area and district-level FOF are presented in columns (3) and (4).

As expected, estimated coefficients on value added in manufacturing and our industry-composition index are significant and positive. The high  $t$ -statistic corresponding to industry composition reflects the persistence of interindustry wage differentials as well as the correlation between national and metropolitan wages.

In all models, the proportion of the metropolitan area's population that legalized under IRCA is significant and positively related to hourly wage rates. Correcting for the possible endogeneity of the distribution of undocumented workers makes little difference in the estimated effect of legalization

**Table 3**  
**Determinants of Metropolitan Hourly Wage Rates, 1975-89**

Independent Variables	Metropolitan NIF (OLS) (1)	Metropolitan NIF (2SLS) (2)	Metropolitan FOF (2SLS) (3)	District FOF (2SLS) (4)
Value added per capita	130.54 (9.25)	130.83 (9.26)	129.40 (9.14)	131.87 (9.32)
Consumer prices	.0391 (5.22)	.0387 (5.14)	.0396 (5.26)	.0381 (5.02)
Industry composition index	.6000 (18.46)	.6007 (18.47)	.6002 (18.44)	.6082 (18.78)
Legalization applicants per capita	.0627 (2.20)	.0670 (2.17)	.0666 (2.15)	.0591 (1.88)
Metropolitan NIF per capita	-.4532 (2.06)	-.4573 (-2.08)	...	...
Metropolitan FOF per capita	...	...	-3.3561 (-2.11)	...
District FOF per capita	...	...	...	-0.1561 (-1.00)
Constant	-.8266 (-1.16)	-.7962 (-1.11)	-.8675 (-1.21)	-.8015 (-1.11)
$R^2$	.970	.970	.970	.970
Log likelihood				
Constant only	-3,853.4	-3,853.4	-3,853.4	-3,853.4
Metropolitan effects only	-3,610.0	-3,610.0	-3,610.0	-3,610.0
X's only	-2,361.4	-2,361.7	-2,363.0	-2,354.7
X's and metropolitan effects	-753.3	-753.4	-753.3	-754.1
X's, metropolitan, and time effects	-741.0	-741.1	-741.0	-742.9

NOTE.— $t$ -statistics are in parentheses. NIF = notice of intent to file; OLS = ordinary least squares; 2SLS = two-stage least squares; FOF = final order files.

applicants. Though significant, the effect of legalization is small in magnitude. Evaluated at the means for 1987–89, the elasticity of wages with respect to the proportion of the population legalized is only 0.0022. This suggests that a 1% increase in the proportion of legalization applications is associated with less than a .01% increase in wages. While legalization was intended to improve the labor market position of newly legalized workers, it is unlikely that the positive relationship between wages and legalization reflects only the improved earnings of newly legalized workers. It may also be the case that newly legalized workers experience little labor market mobility in the short run and—like unauthorized workers—continue to function in roles that are complementary to, and increase the wages of, authorized workers. If we were able to follow these newly legalized workers over a longer period, say several years, these relationships might differ.

Unlike legalization, employer sanctions are negatively related to hourly wage rates. The strength of this relationship depends on the measure used to capture employers' expectations about fines. Metropolitan-level NIF are significant and negatively related to wages, while proportioned FOF are more weakly related to wages. District office FOF are not significantly related to metropolitan wages. These results suggest that employers are driven by INS enforcement efforts that they see as targeted directly toward their metropolitan areas. They appear unaffected by levels of enforcement at the district level. Like legalization, the effect of fines on metropolitan wages is small in magnitude. The elasticity of wages with respect to NIF is  $-0.0015$ . Doubling metropolitan-level NIF is expected to reduce wages by less than two cents per hour. The elasticities of wages with respect to proportioned FOF is  $-0.0021$ .

The overall fit of the model is quite good, with  $R^2 = 0.97$ . Table 3 also presents the value of the log-likelihood function for various components of the model. Analyses of the change in the value of the log-likelihood function indicate that the independent variables in the model and the metropolitan-area effects each explain a great deal of the variance in metropolitan area wages.

## VII. Conclusions

The Immigration Reform and Control Act of 1986 represents an attempt to control illegal migration to the United States by imposing fines on employers who hire unauthorized workers. Employer sanctions are expected to lower wages directly because they act as a tax on hiring additional workers. Unless employers are able to predict the legal status of potential new employees perfectly, employer sanctions serve to increase the cost of hiring all workers. In addition to employer sanctions, IRCA legalized many long-term undocumented workers. Legalization will also affect wages by altering the proportions of documented and undocumented workers.

This article assesses the implications of this change in public policy for the U.S. labor market by analyzing the wages of production workers in manufacturing. We have chosen to study the effect of IRCA on manufacturing wages because manufacturing has been a traditional source of employment for undocumented workers. In fact, the largest single group of newly legalized workers, 30%, were employed in manufacturing at the time they filed their legalization applications. Results from the analysis of manufacturing wages suggest that, in the 3 years after its enactment, IRCA's two major provisions have had little effect on the hourly earnings of U.S. production workers. While the amount of notices of intent to fine and final order fines assessed against employers have a negative effect on wages, the percentage of the metropolitan area's population that legalized is positively related to wages.

Although both effects are statistically significant, we find that the elasticities of earnings with respect to employer sanctions and with respect to legalization are both very small. Given the size of employer sanctions relative to the value added in manufacturing, it is interesting that we were able to detect any effect of sanctions on wages at all. It is likely that this results from the fact that employers face some uncertainty in the legal status of individual workers so that all workers—both Hispanic and non-Hispanic—experience some reduction in wages as a result of sanctions.<sup>23</sup> Additionally, it is possible that the amount employers expected to pay in fines exceeded the actual amount imposed by INS because of initial uncertainty about what INS's level of enforcement would be.

This analysis also suggests that employers are sensitive to fines that they believe are directed toward their metropolitan area but do not respond to overall enforcement at the district level. In allocating its scarce resources, INS district offices should carefully consider how to target enforcement to specific metropolitan areas and sectors in order to obtain the largest effect. Over time, if employers believe that INS is not devoting significant resources to the enforcement of employer sanctions, they may become even less sensitive to employer sanctions.

If employer sanctions are to benefit U.S. workers they must do so by reducing the flow of illegal entrants. Studies suggest, however, that employer sanctions have had only a transitory effect on the flow of illegal migrants into the United States (President's Report 1991b). At the same time, by acting as a tax on the use of unauthorized workers, employer sanctions directly lower workers' earnings, albeit by a small amount. While

<sup>23</sup> This result is consistent with the negative relationship found between the cost of employer sanctions in Germany, France, and Belgium and the earnings of workers in alien-dominated industries, such as manufacturing, construction, and agriculture (Snowden 1990). Hill and Pearce (1990, p. 41) also argue that sanctions should reduce the aggregate real earnings of authorized workers.



it may be tempting to conclude that such costs are unimportant, we believe that the cost of sanctions should not be dismissed because they may be much greater in certain industrial subsectors or geographic areas than we were able to detect. Given this, even the minute costs of sanctions identified in our study may represent unwelcome labor market distortions.

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## Immigrant Families and Workers

FACTS AND PERSPECTIVES

BRIEF NO. 4

### A PROFILE OF THE LOW-WAGE IMMIGRANT WORKFORCE

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#### KEY FINDINGS:

- Immigrants compose an increasingly large share of the U.S. labor force and a growing share of low-wage workers. Immigrants are 11 percent of all U.S. residents, but 14 percent of all workers and 20 percent of low-wage workers.
- Immigrants' hourly wages are lower on average than those for natives, and nearly half earn less than 200 percent of the minimum wage—versus one-third of native workers.
- Immigrant workers are much more likely than natives to drop out of high school (30 versus 8 percent), and are far more likely to have less than a ninth-grade education (18 versus 1 percent).
- Three-fourths of all U.S. workers with less than a ninth-grade education are immigrants.
- Nearly two-thirds of low-wage immigrant workers do not speak English proficiently, and most of these workers have had little formal education.
- Two of every five low-wage immigrant workers are undocumented. Labor force participation is higher among undocumented men than among men who are legal immigrants or U.S. citizens.
- While the low-wage native labor force is mainly female (59 percent), men dominate the low-wage immigrant labor force (56 percent).
- Even though they are less likely to participate in the labor force, female immigrant workers are better educated and more likely to be in the United States legally than male immigrants.
- Foreign-born women earn substantially lower wages than either foreign-born men or native women.
- Although immigrants dominate a few low-wage occupations—farming and private household workers—immigrants in these occupations represent a small share of all low-wage foreign-born workers.

During the 1990s, one out of every two new workers was an immigrant.<sup>1</sup> While many immigrants speak English well and enter the United States with strong academic credentials and skills, many others do not. Like other low-skilled workers, few of these immigrants enjoy the benefits of employer-provided training programs, most of which are geared to managers or highly skilled workers.<sup>2</sup> Low-wage immigrant workers have also been outside the reach of government-sponsored job training programs that concentrate on getting welfare recipients into the labor market and have often underserved persons with limited English skills.<sup>3</sup>

<sup>1</sup> Andrew Sum, Necta Fogg, and Phil Harrington, "Immigrant Workers and the Great American Job Machine: The Contributions of New Foreign Immigration to National and Regional Labor Force Growth in the 1990s," Boston: Northeastern University, Center for Labor Market Studies, August 2002.

<sup>2</sup> Amanda L. Ahlstrand, Laurie J. Bassi, and Daniel P. McMurren, *Workplace Education for Low-Wage Workers*, Alexandria, VA: American Society for Training and Development, March 2001.

<sup>3</sup> Karen Tumlin and Wendy Zimmermann, *Immigrants and TANF: A Look at Immigrant Welfare Recipients in Three Cities, Assessing the New Federalism Occasional Paper No. 69*, Washington, DC: The Urban Institute, 2003.

**Nearly half of all immigrant workers earned less than 200 percent of the minimum wage, compared with 32 percent of native workers.**

The nation's workforce development and training policies are now being reconsidered as employers look for more ways to raise workers' skills.<sup>4</sup> Further, the reauthorization of the 1998 Workforce Investment Act (WIA)—the largest source of federal funding for job training, adult basic education, and English as a second language (ESL) instruction—would give states and providers more incentives to serve limited English proficient (LEP) populations and encourage programs to combine adult education, ESL, and job-training services if proposals now on the table are adopted.<sup>5</sup> The results provided here shed light on the need for policies that move in these directions.

#### APPROACH AND DATA

Our study examines the size of the low-wage immigrant labor force, as well as the educational attainment, English language ability, legal status, and gender of low-wage immigrant workers. The data come from the March 2002 Supplement to the Current Population Survey (CPS).<sup>6</sup> We define "workers" as people ages 18 to 64 who are in the civilian workforce; report positive wage and salary earnings for 2001; and have worked at least 25 weeks (i.e., at least some hours over the course of six months) or 700 hours (i.e., full-time equivalent for 20 weeks) during 2001. We define the workforce as broadly as possible but exclude students and other casual part-time workers. Using other definitions of the labor force does not substantially affect the overall results.

We define the low-wage labor force as workers earning less than 200 percent of their state's prevailing minimum wage. Data on workers earning less than the minimum wage are also included.<sup>7</sup>

#### IMMIGRANT SHARES OF THE TOTAL AND LOW-WAGE LABOR FORCE

The share of immigrant workers has risen rapidly due to high immigration levels over the past two decades. While immigrants represent roughly 11 percent of the total U.S. population, they make up 14 percent of the U.S. labor force and 20 percent of the nation's low-wage labor force. By our definition, there were 125.3 million workers in the United States in 2002, 17.9 million of whom were foreign-born. There were 43.1 million low-wage workers, 8.6 million of whom were foreign-born. Two million immigrant workers earned less than the minimum wage.

Immigrants are substantially overrepresented among workers who are paid the least and are most in need of training to improve their skills and earnings. Nearly half (48 percent) of all immigrant workers earned less than 200 percent of the minimum wage, compared with 32 percent of native workers. The average low-wage immigrant worker earned \$14,400 in 2001.

<sup>4</sup> See, for example, National Association of Manufacturers, *Keeping America Competitive: How a Talent Shortage Threatens U.S. Manufacturing*. Washington, DC, 2003.

<sup>5</sup> See National Immigration Law Center, "House Passes Welfare Investment Act Reauthorization Bill; Includes Some Improvements for Limited English Proficient Persons." Washington, DC, May 2003.

<sup>6</sup> We use the CPS rather than the Census because we had assigned legal status to CPS respondents, allowing us to distinguish naturalized citizens, legal noncitizen immigrants, and the undocumented among the foreign-born labor force. For a discussion of the underlying methodology, see Jeffrey S. Passel and Rebecca Clark, "Immigrants in New York: Their Legal Status, Incomes, and Taxes," *Research Report*, Washington, DC: The Urban Institute, 1998.

<sup>7</sup> In 2001, the federal minimum wage was \$5.15. Alaska, California, Connecticut, Delaware, the District of Columbia, Hawaii, Massachusetts, Oregon, Rhode Island, Vermont, and Washington set their minimum wages above the federal standard.

**EDUCATIONAL ATTAINMENT**

A key barrier to participation in WIA and employer-provided training programs is lack of formal schooling, as most of these programs are geared towards enrollees with at least a ninth-grade education. Eighteen percent of the immigrant labor force has less than a ninth-grade education (Table 1). Another 12 percent of immigrant workers have completed the ninth grade but not high school. In all, 30 percent of immigrant workers (versus only 8 percent of native workers) have not finished high school.

Among *low-wage* immigrant workers, nearly half (45 percent) have less than a high school education and over a quarter (28 percent) have not completed the ninth grade.

Overall, 5.3 million immigrant workers do not have a high school diploma, accounting for 39 percent of all U.S. workers who have not completed high school. The 3.3 million immigrant workers who have not completed the ninth grade represent about 75 percent of all workers with so little education.<sup>8</sup>

**Overall, 5.3 million immigrant workers do not have a high school diploma, accounting for 39 percent of all workers who have not completed high school.**

**LIMITED ENGLISH PROFICIENCY**

Almost half (46 percent) of all foreign-born workers are "limited English proficient" (LEP), according to data from Census 2000.<sup>9</sup> Nearly three-quarters (73 percent) of LEP workers speak Spanish. Much smaller shares speak other languages, led by Chinese (4 percent), Vietnamese (4 percent), and Korean (2 percent). While time in the United States and work experience reduce the share of workers who are LEP, 29 percent of workers who have been in the country for 20 years or more can still be considered LEP. In general, limited English skills are closely associated with low-wage work, but nearly two-thirds (62 percent) of low-wage immigrant workers are LEP, compared with only 2 percent of low-wage natives. The vast majority of all LEP workers—84 percent—are foreign-born.

**TABLE 1. Educational Distribution of Immigrant and Native Workers, 2002**

Educational Attainment	All Workers		Low-Wage Workers <sup>a</sup>	
	Foreign-Born	Native	Foreign-Born	Native
Less than 9th grade	18%	1%	28%	2%
9th to 12th grade	12	7	17	13
High school diploma	25	32	29	41
Some college	17	31	15	33
Bachelor's or higher	28	29	11	11

Source: Urban Institute tabulations from modified March 2002 Current Population Survey.

<sup>a</sup>Workers earning less than 200 percent of state minimum wage.

<sup>8</sup> There are 8.3 million native-born workers without a high school diploma, 1.1 million of whom have not completed the ninth grade.

<sup>9</sup> In this section, we use data from the Census 2000 1 percent Public Use Microdata Sample (PUMS). The CPS, our principal data source for most analyses, does not collect information on English proficiency of workers. A person is "limited English proficient" if he/she reports speaking a language other than English at home and does not speak English "very well." The Census does not collect data on English literacy.

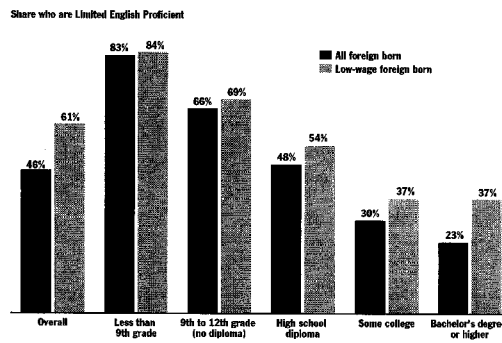
Almost half of all foreign-born workers are "limited English proficient," according to data from Census 2000.

Not surprisingly, limited English proficiency and limited education go hand in hand. Nationwide, 28 percent of the overall U.S. labor force with less than a high-school education is LEP, though almost all of these LEP workers are foreign-born. Eighty-three percent of immigrant workers with less than a ninth-grade education, and 66 percent who complete the ninth grade but not high school, are LEP. That said, 23 percent of immigrant workers with a bachelor's degree or beyond are also LEP (figure 1), and 37 percent of low-wage workers with some college or a college degree are LEP.

#### LEGAL STATUS

Immigrants' legal status helps determine access to job-training and work-support programs. Indeed, eligibility for most government-sponsored programs is restricted to legal immigrants under federal law. Legal status is also associated with limited English language skills and low education levels: undocumented immigrants are more likely to lack English proficiency and a ninth-grade education.<sup>10</sup>

**FIGURE 1. LEP Status by Educational Attainment among Foreign-born Workers, 2000**



Source: Urban Institute tabulations from Census 2000 1-percent Public Use Microdata Sample.

<sup>10</sup> Randy Capps, Michael Fix, Leighton Ku, Chris Furginelle, and Daniel Perez-Lopez, "How Are Immigrants Faring After Welfare Reform? Preliminary Evidence from Los Angeles and New York City," Washington, D.C.: U.S. Department of Health and Human Services, Assistant Secretary for Policy Evaluation, 2002.

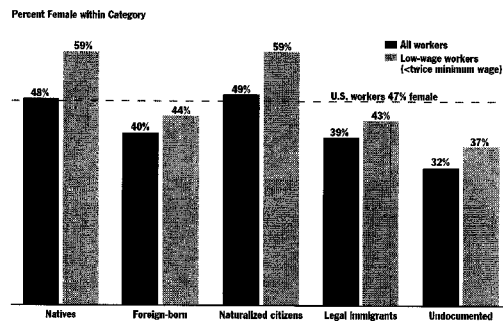
Of the 17.9 million foreign-born workers in the United States, some 12.7 million are here legally. Thirty-four percent of immigrant workers are naturalized citizens, 34 percent are legal immigrants (including refugees), and 29 percent are undocumented. Compared to the workforce in general, the low-wage labor force has a higher share of undocumented immigrants and a lower share of naturalized citizens. Of the 8.6 million low-wage immigrant workers, 3.4 million (40 percent) are undocumented. Less than a quarter (23 percent) are naturalized citizens.

#### GENDER COMPOSITION

A striking feature of the immigrant labor force is how few foreign-born women join it, compared with native women. Overall, women make up about half (48 percent) of the native workforce, but only 40 percent of the immigrant workforce. In the low-wage labor force, a clear majority (59 percent) of natives are female, compared with only 44 percent of low-wage foreign-born workers (figure 2).

**Compared to the workforce in general, the low-wage labor force has a higher share of undocumented immigrants and a lower share of naturalized citizens.**

**FIGURE 2. Female Shares of Citizen and Noncitizen Workers, 2002**



Source: Urban Institute tabulations from Census 2000 1-percent Public Use Microdata Sample.

Immigrants make up one in nine U.S. residents, one in seven U.S. workers, and one in five low-wage workers.

Gender differences are even more pronounced among undocumented workers. Only 32 percent of all undocumented workers and 37 percent of low-wage undocumented workers are women. This differential reflects very high labor-force participation among undocumented men and relatively low labor participation among undocumented women.<sup>11</sup> Female immigrants—especially undocumented women—participate at lower rates because they are far more likely to be married, and because they have more children on average than native-born women.<sup>12</sup> In short, undocumented men come to the U.S. mainly to work, while many undocumented women come to be with their families.

Although they have lower labor-force participation, immigrant women who do take low-wage jobs are better educated than their male counterparts. More than three-fourths (76 percent) of female low-wage immigrant workers hold at least a high school diploma, compared with 66 percent of male low-wage immigrant workers. They are also more likely to be proficient in English than foreign-born male workers: 59 versus 50 percent.

Even though immigrant women are more likely to be in the United States legally, hold high school diplomas, and speak English, their earnings trail those of immigrant men. Thirteen percent of immigrant women earn less than the minimum wage, compared with 9 percent of foreign-born men and native women (table 2). Forty percent of immigrant women earn

**TABLE 2. Wage Levels and Income of Workers, by Nativity and Sex, 2002**

Wage Level	Foreign-Born Workers		Native Workers	
	Female	Male	Female	Male
Less than minimum	13%	9%	9%	6%
100–200% of minimum	40	36	31	20
>200% of minimum	47	55	61	75
<b>Mean Annual Earnings</b>	<b>\$26,700</b>	<b>\$38,400</b>	<b>\$29,700</b>	<b>\$47,500</b>

Source: Urban Institute tabulations from modified March 2002 Current Population Survey.

<sup>11</sup> Undocumented men are more likely to be in the labor force because they are less likely to be in school, disabled, or retired than working-age men who are native-born, naturalized citizens, or legal immigrants.

<sup>12</sup> According to the June 2000 fertility supplement to the CPS, 37 percent of native-born women age 18 to 44 were never married, compared with only 27 percent of foreign-born women. Thirty-eight percent of native-born women 18 to 44 never had a child, compared with 31 percent of foreign-born women.



from 100 to 200 percent of the minimum wage, compared with 36 percent of foreign-born men and 31 percent of native women. Clearly, many legally present, comparatively well-educated immigrant women in the labor force could benefit from training and other avenues to higher earnings.

#### OCCUPATIONS

Immigrant workers represent an especially large share of the total U.S. labor force in two major occupation groups: private household services (42 percent are immigrants), and farming, forestry, and fishing (37 percent). Looking only at low-wage immigrant workers, the share is even higher (44 percent in each) (table 3). Workers in these two occupations are the least well paid and the most likely to be foreign-born of all major occupational groups tracked by the Census. Even so, only 6 percent of all immigrant workers and 10 percent of low-wage immigrant workers hold jobs in these occupations.

The other occupation groups with significant shares of low-wage immigrant workers include service occupations (except protective services); precision production, crafts and repair; machine operators and assemblers; and administrative support. In those occupational categories, wages are usually higher and worker-training opportunities more plentiful.

**While immigrants dominate a few low-wage occupations—farming and private household workers—the immigrants working in those occupations represent a relatively small share of all immigrant workers.**

**TABLE 3. Immigrant Shares and Earnings in Selected Occupations, 2002**

Occupation Group	Percent Foreign-Born		Mean Earnings of Foreign-Born Workers
	All Workers	Low-Wage Workers	
All occupations	14%	20%	\$33,700
Private household	42	44	13,000
Farming, fishing, and forestry	37	44	15,500
Machine operators and assemblers	22	34	21,500
Administrative support, incl. clerical	9	10	27,400
Service, except protective	23	24	17,800
Precision production, craft, and repair	17	30	29,400

*Source:* Urban Institute tabulations from modified March 2002 Current Population Survey.



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#### SUMMARY

Immigrants make up one in nine U.S. residents, one in seven U.S. workers, and one in five low-wage workers. Immigrants are overrepresented among both low-wage and less educated U.S. workers. Since so many immigrants work and so many hold low-wage jobs, they could potentially benefit from post-as well as pre-employment services.

Unfortunately, most publicly funded training programs assume that participants have ninth-grade levels of literacy, numeracy, and basic English skills, and most privately funded training programs are geared to skilled workers and managers. To fill the gap, Congress should consider revamping the Workforce Investment Act, and employers should tailor their job-training programs to serve LEP populations, build language assessment capacity, and combine job training with English language, basic education, and literacy instruction.

Female workers are of particular concern. Compared to native women, fewer immigrant women participate in the labor force. Immigrant women who work are better educated and more likely to enjoy legal status than foreign-born men,

but earn less than either foreign-born men or native women. Thus, raising the incomes of immigrant families requires targeting education, training, and other post-employment services toward women who work—or want to—in these families.

While immigrants dominate a few low-wage occupations—farming and private household workers—the immigrants working in those occupations represent a relatively small share of all immigrant workers. Overall, there are far more foreign-born workers in such occupations as low-skilled manufacturing and services, so expanding training opportunities in these economic sectors should help large numbers of immigrant workers.

#### ACKNOWLEDGMENTS

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**IMMIGRATION AND POVERTY****Disappointing income growth in the 1990s not solely  
the result of growing immigrant population***by Jeff Chapman and Jared Bernstein*

Recently released data from the 2000 Census show that the nation's poverty rate fell less than one percentage point between 1989 and 1999, dropping from 13.1% to 12.4%.<sup>1</sup> In some states, including California and New York, the poverty rate was higher in 1999 than in 1989. In addition, some areas of the country failed to see the increases in real median family income that were hoped for given the strong economy of the latter 1990s. For example, Census data reveal that median family income in New York grew only \$113 (0.2%) in real terms over the decade. These results are disappointing for those who expected more from the strongest economy in decades.

Media coverage has downplayed these disappointing findings as being largely the result of a growing immigrant population.<sup>2</sup> The reasoning behind this claim is that income failed to grow as much as expected due to the addition of more low-income families to the population through immigration. The implication is that the United States' lack of economic progress in regard to poverty or median income growth should not be of great concern—it wasn't the strong economy that failed to lift incomes, but rather the increase in low-income families from abroad that makes it appear like no progress has been made in these areas.

This intuition is by no means without merit. It is true that the immigrant share of the population increased over the decade, and that immigrants' incomes are, on average, lower than natives'. It is also the case that the increase in the immigrant share of the population can and has put downward pressure on overall income growth over time, a phenomenon we refer to as the "share effect."

But the existence of the share effect by no means justifies citing immigration as the sole, or even the most important factor behind the less-than-favorable Census results. Without much more evidence, it is a mistake to simply conclude that, since immigration expanded and immigrants have lower incomes, the lack of progress must be due to immigration.

The needed evidence is at least twofold. First, the magnitude of the share effect must be quantified, that is, how much did the increase in the share of the immigrant population lower real incomes or raise poverty rates? Second, the impact of the share effect can be offset by trends in immigrants' own income and poverty status. The growth of immigrant incomes will offset the share effect, and analysts need to quantify this effect, as well (we refer to this as the "income effect").

In a period like the 1990s, when both immigrants' population share and their incomes rose, the question of immigration's impact can be viewed as the outcome of a race between the share and income effects. That is, did immigrants' income improve fast enough to offset the downward pressure exerted by their increased share in the population? Without quantifying these two countervailing effects, researchers have little useful authoritative information to bring to the discussion. In fact, as we show below, over the 1994-2000 period, immigrants' rising incomes offset the negative impact of their rising shares.

At this point, the 2000 Census microdata have not yet been released, so we do not have all the data we need to fully explore this issue. The hope is that, given the data available, we can introduce a note of caution into any interpretation of the Census results that heavily depends on increased immigration.

In this analysis we look at the nation as a whole and also specifically at New York and California—two states where one may expect immigration to play a larger factor. In fact, over one-in-four New Yorkers and one-in-three Californians are immigrants (see the data appendix for details on our more comprehensive definition of immigrants). It is also important to consider these two states because their poverty rates were higher in 1999 than in 1989, according to Census 2000 data.

An analysis of the currently available data shows:

- Over the 1994-2000 period, poverty rates fell much more quickly for immigrants than for natives. For example, the national poverty rates of recent immigrants (those here for 10 years or less) fell about four times as fast as for natives (11.6 percentage points for immigrants versus 2.9 points for natives); the rate for all immigrants fell 2.7 times as fast as that of U.S. natives.
- Immigrant families also experienced greater increases than U.S. natives in real median family incomes from 1994 to 2000. After adjusting for inflation, the median family incomes of immigrants rose 26.3% from 1994 to 2000, while the median family incomes of native U.S. families grew half that fast. For recent immigrants, the growth in real median family income was even larger at 40.5%.
- These gains in immigrant income over the 1994-2000 period were substantial enough to offset the negative impact of the share effect.
- In a preliminary analysis of the full Census period between 1989 and 1999 for California and New York (two states with large immigrant populations) the increase in immigration added about a

percentage point to the growth in poverty over the decade. But absent this effect, poverty would have been unchanged in California and would have risen slightly in New York (still a disappointing result for this period).

- Immigration's role has been exaggerated and has crowded out other, more fundamentally economic factors, such as inequality and unemployment, from the discussion. These factors hurt the economic prospects of all low-wage workers, regardless of nativity.

### Poverty rates and median family income, by nativity and entry

It is true that immigrants are much more likely to live in poverty than are native U.S. citizens (**Table 1**). This is especially true of recent immigrants, whose poverty rate is over twice that of U.S. natives. Because of this, at any point in time, the poverty rate would, indeed, be lower in the absence of immigration. Also, increasing the immigrant share will raise the poverty rate. However, as noted, we need to quantify both this share effect as well as the offsetting income effect that occurred over this period (the impact of faster income growth among immigrants).

As shown in **Figure 1** and **Table 1**, the national poverty rates of recent immigrants fell about four times as fast as it did for U.S. natives; the rate for all immigrants fell 2.7 times as fast as that of U.S. natives. Poverty rates of immigrants living in New York and California also fell further during the boom than did the poverty rates of U.S. natives (**Table 2**). The poverty rates of recent immigrants fell 13.3 percentage points from 1994 to 2000 in New York and 12.5 percentage points in California, while those of U.S. natives fell 2.4 points in New York and 3.0 points in California.

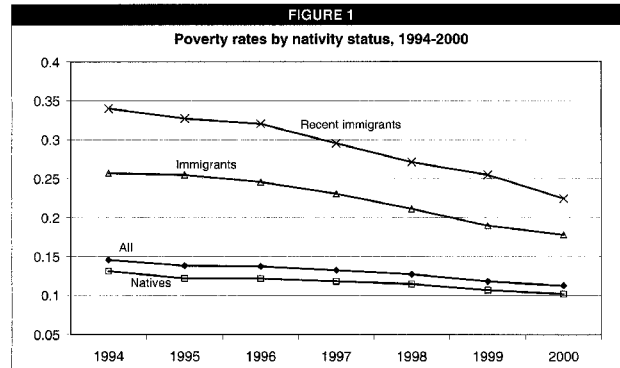
Immigrant families also experienced greater increases in real median family incomes during the same period (**Table 3**). After adjusting for inflation, the median family incomes of immigrants rose 26.3% from 1994 to 2000, while the median family incomes of native U.S. families grew half that fast. For recent immigrants, the growth in real median family income was even larger: 40.5%, an increase of over \$10,000.

Since immigrants' income growth outpaced that of U.S. natives, we need to measure the extent to which this income effect offsets the share effect before we discount the disappointing Census results.

**TABLE 1**  
**Poverty Rates for all persons, natives, immigrants, and recent immigrants, 1994-2000**

U.S.	All	Native	Immigrants	Recent immigrants
1994	14.5%	13.1%	25.7%	34.0%
2000	11.3%	10.2%	17.8%	22.4%
Percentage-point change	-3.3	-2.9	-7.9	-11.6

Source: Authors' analysis of March Current Population Survey data



**TABLE 2**  
**Poverty rates for all persons, natives, immigrants, and recent immigrants, 1994-2000**

N.Y. and Calif.	All	Native	Immigrants	Recent immigrants
N.Y.				
1994	17.0%	13.7%	28.3%	35.5%
2000	13.4%	11.4%	19.1%	22.2%
Percentage-point change, 1994-2000	-3.6	-2.4	-9.2	-13.3
Calif.				
1994	17.9%	12.1%	30.1%	39.3%
2000	12.8%	9.1%	20.3%	26.8%
Percentage-point change, 1994-2000	-5.0	-3.0	-9.8	-12.5

Source: Authors' analysis of March Current Population Survey data.

### The impact of the share and income effects

The share effect will largely be driven by the magnitude of the increase in the immigrant share of the population. Nationally, this share grew by 2.6 percentage points between 1994 and 2000. The share of the population that is recent immigrants grew less than one percentage point during the same period.<sup>3</sup> In New York, the immigrant share of the population grew by 3.6 percentage points, while in California it only grew by 1.2 points.

**TABLE 3**  
Real median income, 1994-2000, by nativity status

	All	Native	Immigrants	Recent immigrants
1994	\$44,573	\$46,011	\$33,601	\$26,257
2000	\$50,985	\$52,057	\$42,440	\$36,887
Percent change	14.4%	13.1%	26.3%	40.5%

Source: Authors' analysis of March Current Population Survey data

**TABLE 4**  
Shift share analysis: The impact of share and rate changes, 1994-2000  
(in percentage points)

National	Natives	All immigrants	Total
Impact of share changes	-0.3	0.6	0.3
Impact of poverty rate changes	-2.5	-1.0	-3.6
Total	-2.8	-0.4	-3.3
	Natives	Recent immigrants	Total
Impact of share changes	-0.1	0.2	0.1
Impact of poverty rate changes	-2.8	-0.6	-3.4
Total	-2.9	-0.4	-3.3
California	Natives	All immigrants	Total
Impact of share changes	-0.1	0.3	0.2
Impact of poverty rate changes	-2.0	-3.2	-5.2
Total	-2.1	-2.9	-5.0
New York	Natives	All immigrants	Total
Impact of share changes	-0.5	0.9	0.4
Impact of poverty rate changes	-1.8	-2.2	-4.0
Total	-2.2	-1.4	-3.6

Source: Authors' analysis of March CPS data.

We are able to use a simple shift-share technique to decompose the change in the overall poverty rate, assigning separable contributions to the impact of changes in the population shares of immigrants and natives (holding the poverty rate constant) and changes in their poverty rates (holding the population shares constant).<sup>4</sup> The first row, second column of **Table 4** (the share effect) shows that, as expected, the increase in the share of immigrants raised poverty in each case, though in no case by as much as a

percentage point. For the case of recent immigrants—the focus of much discussion around the Census results—the increase in poverty due to their larger national share was only 0.2 percentage points.

But the decline in immigrant poverty rates (the income effect), as shown in Figure 1, more than offset this factor, and on net, immigration lowered poverty for each group. Take, for example, the case of California. While the share effect added 0.3 percentage points to the poverty rate, the income effect—the fall in immigrant poverty in California—contributed 3.2 percentage points to poverty’s decline. On net, the impact of immigration on California poverty was to lower the state’s rate by 2.9 percentage points. For New York, the result is less dramatic because, while the immigrant rate fell steeply (see Table 1), the share grew more quickly than in California and thus added just under a point to the change in poverty between 1994 and 2000. Here too, however, the poverty-reducing impact of the income effect more than offsets the share effect.

Median incomes do not allow the same type of decomposition as poverty rates. So, in order to gauge the share and income effects, we apply a technique that is similar in spirit to the poverty shift-share analysis (see Table 5).<sup>5</sup> If the national immigrant population had remained at its 1994 population share in 2000, then real median family income would have been only 0.6% higher. In both New York and California, the share effect lowered income growth by 1.6%. While we cannot isolate the income effect here, as we could with the poverty rates, the large growth in immigrant income (Table 1) likely offset share effects of this magnitude.

### The 1989-99 period: preliminary analysis

As noted, the Census data needed to perform an analysis on the full 1990s business cycle are not yet available. To gain some preliminary insight into what these results are likely to show, we examine the poverty rates and population share of immigrants and U.S. natives in two states, New York and California, in 1989 using the 1990 Census data, and in 1999 using the March CPS.

By crossing data sets in this manner, we are surely introducing some error into the analysis. For example, the 1999 CPS poverty rates for New York and California are 14.1% and 13.8%, while the published Census rates are 14.6% and 14.2%, respectively. However, we suspect that these errors are of a relatively small order of magnitude; while the numbers would surely be a bit different were we able to use Census microdata, the substance of the results would likely be unchanged. However, Census and CPS estimates of median family incomes are quite different, so we focus solely on analysis of poverty rates.

Table 6 provides poverty rates in the two periods, along with a shift-share analysis like the one in the previous table. In our data, California poverty goes up 1.4 percentage points, or from 12.4% to 13.8%, between 1989 and 1999. Poverty rates are essentially unchanged for immigrants in California from 1989 to 1999 and are slightly higher for U.S. natives (1.1 percentage points). But the immigrant share (not shown) rose by 6.2 percentage points, so the question is again, how quantitatively meaningful are these shifts in determining California poverty rates over the period?<sup>6</sup>

The shift share shows that, holding poverty rates constant, the increase in the immigrant share of the population added 1.3 percentage points to California poverty over this period. In other words, the



**TABLE 5**  
**The growth in real median family income, 1994-2000, actual and**  
**holding the immigrant share constant (in percentage points)**

1994-2000	Actual	Constant shares	Difference
National	14.4	15.0	-0.6
California	10.1	11.7	-1.6
New York	14.4	16.1	-1.6

Source: Authors' analysis of CPS data.

strong economy of the 1990s (the impact of which was concentrated in the second half of the decade), failed to reduce California poverty, even after we extract the impact of a larger immigration share of the population.

The New York data tell a similar story. Poverty rose 1.3 percentage points, with native poverty up 1.5 points and immigrant poverty down slightly. The immigrant share grew by 4.5 percentage points, which, holding poverty rates constant, added 0.9 points to the growth in poverty (the decline in immigrant poverty reduced the overall growth slightly, by 0.2 points). Thus, even in the absence of a larger New York immigrant share, poverty rates in that state would have increased from 1989 to 1999.

Given that we are shifting between the two data sets, the 1989-99 results are less reliable than the 1994-2000 CPS results, but they do have the advantage of covering the full business cycle. The 1989-99 analysis shows that the conventional wisdom regarding immigrants' contribution to poverty has some merit in that the increased share of immigrants did place upward pressure on poverty rates in these two states.

But the results also show that immigration is by no means the whole story in understanding poverty trends over the 1990s, as some news stories and commentators have implied. Based on a simple shift-share analysis, once we extract the impact of the growth of immigration, poverty would have been unchanged over the decade in California and slightly higher in New York. Considering that the 1990s were widely hailed as one of the greatest economic periods in decades, this is an unsettling result. It implies that, as the Census data are released and scrutinized, researchers cannot simply cite the increase in immigration and leave it at that. We need to understand what other factors were responsible for the lack of progress in the fight against poverty over the 1990s.

## Conclusion

While the boom of the latter 1990s did lift low incomes, Census data reveal that economic progress was not as great as might have been expected, particularly in certain states. With very little analysis, however, numerous commentators have been misinterpreting these results as the effect of increased immigration. While no analysis could completely account for the effects of immigration (both positive and

**TABLE 6**  
**Poverty rates and shift share analysis, California and New York, 1989-1999**  
**(comparing Census 1989 results with CPS 1999 results)**

	Natives	Immigrants	All
<b>California</b>			
<i>Poverty rates</i>			
1989 (Census)	9.3%	20.6%	12.4%
1999 (CPS)	10.4	20.5	13.8
Change	1.1	-0.1	1.4
<i>Shift share (percentage points)</i>			
Shift share, 1989-99			
Impact of share changes	-0.6	1.3	0.7
Impact of poverty rate changes	0.8	0.0	0.8
Total	0.2	1.2	1.4
<b>New York</b>			
<i>Poverty rates</i>			
1989 (Census)	10.6%	20.1%	12.7%
1999 (CPS)	12.1	19.5	14.1
Change	1.5	-0.7	1.3
<i>Shift share (percentage points)</i>			
Shift share, 1989-99			
Impact of share changes	-0.5	0.9	0.4
Impact of poverty rate changes	1.1	-0.2	1.0
Total	0.6	0.7	1.3

Source: Authors' analysis of CPS and 1990 Census data.

negative), our analysis reveals that poverty rates would have been only slightly lower and median income only slightly higher between 1994 and 2000 if immigration rates had remained constant.

Our preliminary analysis of the 1989-99 period yields a similar conclusion. Though data limitations suggest we must view these results with caution, we still find that, had immigration not increased between 1989 and 1999, poverty rates in California would not have fallen and in New York would have still increased slightly.

None of this should be taken to imply that immigration plays no role in the economic trends of the 1990s. But, thus far, immigration's role has been exaggerated and has crowded out other, more fundamentally economic factors from the discussion. Both New York and California, for example, saw larger than average increases in inequality over the decade, and the incomes of the wealthy pulled far ahead of those at the middle and the bottom of the income scale.<sup>7</sup> In many states, the increase in inequality meant that the growth that did occur went disproportionately to those at the top of the income scale, leaving those at the lower end, regardless of their nativity, more vulnerable to poverty.

Similarly, the 1990s economic boom arrived later in both New York and California. For example, unemployment in New York City was 8% in 1998, compared to 4.5% for the nation. The fact that unemployment remained high in New York City meant that all less-advantaged workers, not just immigrants,

faced a slack labor market. Any defensible accounting of the trends in income and poverty over the 1990s needs to include at least these explanations, and probably others as well.

### Data Appendix

As noted, most of this analysis runs from 1994 to 2000, since these are the years for which data exist to examine changes in native and immigrant income trends, and their population shares. The widely cited Census data, however, provide comparisons between 1989 and 1999. Since the Census 2000 microdata are not yet available, we cannot fully analyze these years, although we do offer some analysis of them, comparing Census 1990 data (with poverty data for 1989) to March 2000 Current Population Survey (CPS) data for the year 1999.

The eventual release of the Census microdata will allow us to analyze these trends from one business cycle peak (1989) to the next (1999, although 2000 was the actual peak). The Census microdata are also consistent over the two years and have large sample sizes. The Census-to-CPS comparison used in this analysis, while meeting the “peak-to-peak” criterion, introduces some inconsistencies (discussed below), because we are analyzing data from two different data sets.

Still, there are numerous advantages to the CPS data. Most importantly, the CPS allows us to calculate income and poverty status for natives and immigrants, 1994-2000. While these years do not cover the entire cycle, they do cover the boom years. If the share effect truly dampened progress against poverty or lowered income growth, these data should reveal it as effectively as the Census data. Also, since the main objective is to compare immigrants to U.S. natives (and to measure the extent to which increased immigration kept poverty from falling further), we are somewhat less concerned with going peak-to-peak as we are with comparing the two groups over the same years. Presumably, both groups were affected by the growing macro-economy over this period, which provides some control for the cycle.

In this analysis we look at the nation as a whole and also specifically at New York and California—two states where one may expect immigration to play a larger factor. In fact, over one-in-four New Yorkers and one-in-three Californians are immigrants (as defined here). It is also important to consider these two states because their poverty rates were higher in 1999 than in 1989, according to Census 2000 data.

The Bureau of Labor Statistics and the Census Bureau define the “foreign-born” population as those persons born abroad to parents who aren’t U.S. citizens. To this group, we add persons born in Puerto Rico and other U.S. territories since they share many of the economic characteristics of the foreign-born. Children born within the United States are U.S. citizens and are not included in the Census statistics on the foreign-born. However, since the income level and poverty status of children depend on their parents, we define children living with only immigrant parents as immigrants. Since both Puerto Ricans and the citizen children of immigrants have higher poverty rates than the Census foreign-born, adding them to our definition should increase our estimates of the impact of immigration. For the purposes of our analysis, “recent immigrants” are those who entered the United States within the last 10 years.

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## Endnotes

1. Since the poverty rate tends to rise during periods of recession and fall during periods of expansion, it is desirable to compare poverty rates at similar points in the business cycle. Fortunately, the Census results are from one peak (1989) and a near-peak (1999—the 1990s recovery went through 2000). The official source for year-to-year estimates of poverty and income is the March Current Population Survey, our main data source in this paper. According to the CPS, the U.S. poverty rate grew from 12.8% in 1989 to 15.1% in 1993, then fell to 11.8% by 1999.
2. For example, see Scott, Janny. 2002. "Census Finds Immigrants Lower City's Income." *New York Times*, August 6.
3. Scott, Janny. 2002. "Census Finds Rising Tides, Many Who Missed Boat." *New York Times*, June 17. *Washington Post*. "'90s Boom Had Broad Impact; 2000 Census Cities Income Growth Among Poor, Upper Middle Class." June 5.
4. Data from Census 2000 support these findings. According to Census data, the increase in the share of the national population that were foreign-born increased 3.2 points from 1990-2000 and the share of the population that were recent entrants increased 1.2 points. This does not include persons born in U.S. territories or the citizen children of immigrants.
5. The first component mentioned is the change in population shares for each group times the average poverty rate across the two periods (1994 and 2000). The second component is the change in the poverty rates times the average population share. The sum of these components equals the change in the overall poverty rate. Note that this technique only measures the share and income effects as described in the text. There is a large literature evaluating the impact of the presence of immigrants on native incomes, employment, and wages which goes well beyond this simple shift share analysis.
6. Our approach is to adjust the sample weights in the final year so that the immigrant share of the population is the same as it was in the base year, and to recalculate median income in the final year using these adjusted weights. Because of the share effect, this will result in a higher value of median income than the actual level. The difference between the simulated and actual median represents the impact of the increased share of immigrants on income growth between the base and final year.
7. The 2000 March CPS weights will be adjusted to reflect data collected from Census 2000. However, comparing Census 2000 counts of the foreign-born population with 2000 March CPS counts suggests that the CPS undercounted naturalized citizens and overcounted non-citizens. Because naturalized citizens have a lower poverty rate than non-citizens, this adjustment should actually lower the immigrant poverty rate, decreasing estimates of the impact of immigration on poverty and income.
8. Bernstein, Jared, Heather Boushey, Elizabeth McNichol, and Robert Zahradnik. 2002. *Pulling Apart: A State-by-State Analysis of Income Trends*. Washington, D.C.: Economic Policy Institute and Center on Budget and Policy Priorities.

## HOW UNIONS HELP ALL WORKERS

*by Lawrence Mishel with Matthew Walters*

Unions have a substantial impact on the compensation and work lives of both unionized and non-unionized workers. This report presents current data on unions' effect on wages, fringe benefits, total compensation, pay inequality, and workplace protections.

Some of the conclusions are:

- Unions raise wages of unionized workers by roughly 20% and raise compensation, including both wages and benefits, by about 28%.
- Unions reduce wage inequality because they raise wages more for low- and middle-wage workers than for higher-wage workers, more for blue-collar than for white-collar workers, and more for workers who do not have a college degree.
- Strong unions set a pay standard that nonunion employers follow. For example, a high school graduate whose workplace is not unionized but whose industry is 25% unionized is paid 5% more than similar workers in less unionized industries.
- The impact of unions on total nonunion wages is almost as large as the impact on total union wages.
- The most sweeping advantage for unionized workers is in fringe benefits. Unionized workers are more likely than their nonunionized counterparts to receive paid leave, are approximately

18% to 28% more likely to have employer-provided health insurance, and are 23% to 54% more likely to be in employer-provided pension plans.

- Unionized workers receive more generous health benefits than nonunionized workers. They also pay 18% lower health care deductibles and a smaller share of the costs for family coverage. In retirement, unionized workers are 24% more likely to be covered by health insurance paid for by their employer.
- Unionized workers receive better pension plans. Not only are they more likely to have a guaranteed benefit in retirement, their employers contribute 28% more toward pensions.
- Unionized workers receive 26% more vacation time and 14% more total paid leave (vacations and holidays).

Unions play a pivotal role both in securing legislated labor protections and rights such as safety and health, overtime, and family/medical leave and in enforcing those rights on the job. Because unionized workers are more informed, they are more likely to benefit from social insurance programs such as unemployment insurance and workers compensation. Unions are thus an intermediary institution that provides a necessary complement to legislated benefits and protections.

### The union wage premium

It should come as no surprise that unions raise wages, since this has always been one of the main goals of unions and a major reason that workers seek collective bargaining. How much unions raise wages, for whom, and the consequences of unionization for workers, firms, and the economy have been studied by economists and other researchers for over a century (for example, the work of Alfred Marshall). This section presents evidence from the 1990s that unions raise the wages of unionized workers by roughly 20% and raise total compensation by about 28%.

The research literature generally finds that unionized workers' earnings exceed those of comparable nonunion workers by about 15%, a phenomenon known as the "union wage premium." H. Gregg Lewis found the union wage premium to be 10% to 20% in his two well-known assessments, the first in the early 1960s (Lewis 1963) and the second more than 20 years later (Lewis 1986). Freeman and Medoff (1984) in their classic analysis, *What Do Unions Do?*, arrived at a similar conclusion.

**Table 1** provides several estimates of the union hourly wage premium based on household and employer data from the mid- to late 1990s. All of these estimates are based on statistical analyses that control for worker and employer characteristics such as occupation, education, race, industry, and size of firm. Therefore, these estimates show how much collective bargaining raises the wages of unionized workers compared to comparable nonunionized workers.

The data most frequently used for this analysis is the Current Population Survey (CPS) of the Bureau of Labor Statistics, which is most familiar as the household survey used to report the unemploy-

**TABLE 1**  
**Estimates of the union wage premium**

Data source (date)	Union premium*	Source
<b>Household Surveys</b>		
<i>Current Population Surveys (CPS)</i>		
All wages and salary (1997)	17.8%	Hirsch and Macpherson (2003, Table 2a)
Private (1997)	18.4%	Hirsch and Shumacher (2002, Table 4)
Private adjusted for imputations (1997)	23.2%	Hirsch and Shumacher (2002, Table 4)
<i>Survey of Income and Program Participation (SIPP)</i>		
All (1992, 1993, 1996)	24.5%	Gundersen (2003, Appendix B)
<b>Employer Surveys</b>		
<i>National Compensation Survey (NCS)</i>		
All except agriculture and federal (1997)	17.4%	Pierce (1999a, Table 5)
<i>Employment Cost Index (ECI)</i>		
All except agriculture and federal (1994)		Pierce (1999b, Table 3)
Hourly wages	20.3%	
Hourly compensation	27.5%	

\* Union premium is the percent by which union workers earn more than comparable nonunion workers. These estimates are obtained from analyses which employ "controls" for worker and employer characteristics, industry, and occupation.

ment rate each month. The CPS reports the wages and demographic characteristics (age, gender, education, race, marital status) of workers, including whether workers are union members or covered by a collective bargaining contract, and employment information (e.g., industry, occupation). Using these data, Hirsch and Macpherson (2003) found a union wage premium of 17.8% in 1997. Using data from a different, but also commonly used, household survey—the Census Bureau's Survey of Income and Program Participation (SIPP)—Gundersen (2003) found a union premium of 24.5%. So, estimates from household surveys that allow for detailed controls of worker characteristics find a union wage premium ranging from 15% to 25% in the 1990s.

Another important source of workplace information, employer surveys, has advantages and disadvantages. On the plus side, wages, occupation, and employer characteristics—including the identification of union status—are considered more accurate in employer-based data. The disadvantage is that data from employers do not include detailed information about the characteristics of the workers (e.g. education, gender, race/ethnicity). However, the detailed occupational information and the skill ratings of jobs (education requirements, complexity, supervisory responsibilities) used in these studies are most likely adequate controls for "human capital," or worker characteristics, making the surveys reliable for estimating the union wage premium.

Pierce (1999a) used the new Bureau of Labor Statistics survey of employers, the National Compensation Survey, to study wage determination and found a union wage premium of 17.4% in 1997. Pierce's study was based on observations of 145,054 nonagricultural jobs from 17,246 different establishments, excluding the federal government.

In another study, Pierce (1999b) used a different employer survey—the Employment Cost Index (ECI), a precursor to the National Compensation Survey—and found a union wage premium of 20.3%. This estimate is for all nonagricultural employers except the federal government, the same sector employed in Pierce's NCS study (though for an earlier year—1994).

These two estimates of the union wage premium from employer surveys provide a range of 17% to 20%, consistent with the range identified by the household surveys. Thus, a variety of sources show a union wage premium of between 15% and 20%.

Since unions have a greater impact on benefits than wages (see Freeman 1981), estimates of the union premium for wages alone are less than estimates of the union premium for all compensation (wages and benefits combined). That is, estimates of just the wage premium understate the full impact of unions on workers' pay. A 1999 study by Pierce estimates the union premium for wages at 20.3% and compensation at 27.5% in the private sector (see Table 1). Thus, the union impact on total compensation is about 35% greater than the impact on wages alone. (A later section reviews the union impact on specific fringe benefits such as paid leave, health insurance, and pensions.)

Many "measurement issues" have been raised about estimates of the union wage premium. Some researchers have argued that union wage premiums are significantly underestimated by some measurements. Hirsch (2003), in particular, raises an important question regarding the rising use of "imputations" in the CPS. Information is "allocated," or "imputed," to a respondent in the CPS when they either refuse to report their earnings or a proxy respondent is unable to report earnings. Hirsch reports that earnings were imputed for fewer than 15% of the CPS in the 1980s but 31% in 2001. The method of imputing earnings to workers for whom earnings aren't reported does not take account of their union status, thus reducing the estimates of the union wage premium. The increase in imputations has, Hirsch says, created an increasing underestimate of the union wage premium. Table 1 shows Hirsch's estimates for the union premium in the private sector using traditional methods (18.4%) and using a correction for imputation bias (23.2%). Hirsch's results imply that imputations depress estimates of the union wage premium for 1997 by 20%, and that the union wage premium is actually one-fourth higher than conventional estimates show.

### Union wage premiums and inequality

Historically, unions have raised the wages to a greater degree for "low-skilled" than for "high-skilled" workers. Consequently, unions lessen wage inequality.

Hirsch and Schumacher (1998) consider the conclusion that unions boost wages more for low- and middle-wage workers, a "universal finding" of the extensive literature on unions, wages, and worker skills. As they state:

The standard explanation for this result is that unions standardize wages by decreasing differentials across and within job positions (Freeman 1980) so that low-skilled workers receive a larger premium relative to their alternative nonunion wage.



**TABLE 2**  
**Union wage premium for subgroups**

Demographic group	Union wage premiums	Percent union	Source
<b>Occupation</b>			
White collar (1997)	2.2%	11.6%	Mishel et al. (2003, Table 2.3a)
Blue collar (1997)	23.3	20.8	Mishel et al. (2003, Table 2.3a)
<b>Education</b>			
College (1997)	5.1%	10.4%	Mishel et al. (2003, Table 2.3a)
High school (1997)	20.8	23.6	
All (1992, 1993, 1996)	24.5	NA	Gundersen (2003, Table 5.1 and Appendix C)
High school or less	35.5	NA	
<b>Wage distribution (1989)</b>			Card (1991)
Lowest fifth	27.9%	23.5%	
Second fifth	16.2	30.3	
Middle fifth	18.0	33.1	
Fourth fifth	0.9	24.7	
Top fifth	10.5	17.7	

The larger union wage premium for those with low wages, in lower-paid occupations and with less education is shown in **Table 2**. For instance, the union wage premium for blue-collar workers in 1997, 23.3%, was far larger than the 2.2% union wage premium for white-collar workers. Likewise, the 1997 union wage premium for high school graduates, 20.8%, was much higher than the 5.1% premium for college graduates. Gundersen (2003) estimated the union wage premium for those with a high school degree or less at 35.5%, significantly greater than the 24.5% premium for all workers.

Card's (1991) research provides a comprehensive picture of the impact of unions on employees by estimating the union wage premiums by "wage fifth," where the sample is split into five equal groups of workers from the lowest wage up to the highest wage workers. As **Table 2** shows, the union wage premium was far greater among low-wage workers (27.9%) than among middle-wage (18.0%) or the highest-wage workers (10.5%).

Unions reduce wage inequalities because they raise wages more at the bottom and in the middle of the wage scale than at the top. Lower-wage, middle-wage, blue-collar, and high school educated workers are also more likely than high-wage, white-collar, and college-educated workers to be represented by unions (see **Table 2**). These two factors—the greater union representation and the larger union wage impact for low- and mid-wage workers—are key to unionization's role as a major factor in reducing wage inequalities (see Freeman 1980, 1982; and Freeman and Medoff 1984).

That unionization lessens wage inequality is also evident in the numerous studies that attribute a sizable share of the growth of wage inequality since 1979 to the erosion of union coverage (Freeman 1991; Card 1991; Dinardo et al. 1996; Blackburn et al. 1991; Card et al. 2003; Blanchflower and

**TABLE 3**  
**Union impact on paid leave, pension, and health benefits**

	Paid leave	Pension and retirement	Health insurance
<b>Union impact on benefit incidence</b>	3.2%	22.5%	18.3%
<b>Union impact on benefit cost per hour</b>			
<i>Total impact</i>	11.4%	56.0%	77.4%
From greater Incidence	3.4%	28.4%	24.7%
From better benefit	8.0%	27.7%	52.7%

Source: Pierce (1999b, Tables 4, 5, and 6).

Bryson 2002). Several studies have shown that deunionization is responsible for at least 20% of the large increase in wage inequality (Mishel et al. 2003). This is especially the case among men, where steep declines in unionization among blue-collar and non-college-educated men has led to a rise in education and occupational wage gaps. Farber's (2002) estimate shows that deunionization can explain as much as 50% of the growth in the wage gap between workers with a college education and those with a high school education.

### Unions and fringe benefits

In an earlier era, non-wage compensation was referred to as "fringe benefits." However, items such as adequate health insurance, a secure retirement pension, and sufficient and flexible paid leave to manage work and family life are no longer considered "fringe" components of pay packages. Thus, the union impact on benefits is even more critical to the lives of workers now than in the past. This section presents evidence that unionized workers are given employer-provided health and pension benefits far more frequently than comparable nonunion workers. Moreover, unionized workers are provided better paid leave and better health and pension plans.

The previous section reviewed data that showed that unions have had a greater impact in raising benefits than in raising wages. This section examines the union effect on particular benefits, primarily paid leave, health insurance, and pensions. Unions improve benefits for nonunionized workers because workers are more likely to be provided particular benefits and because the specific benefits received are better.

**Table 3** provides information from the employer survey (the ECI) about the impact of unions on the likelihood that a worker will receive benefits. The table shows that unionized workers are 3.2% more likely to have paid leave, a relatively small impact, explained by the fact that nearly all workers (86%) already receive this benefit. Unions have a much greater impact on the incidence of pensions and health insurance benefits, with union workers 22.5% and 18.3% more likely to receive, respectively, employer-provided pension and health benefits.

**TABLE 4**  
**Union premiums for health, retirement, and paid leave**

Benefit	Union	Nonunion	Difference		Union premium
			Unadjusted	Adjusted*	
<b>Health insurance</b>					
Percent covered	83.5%	62.0%	21.5%	17.5%	28.2%
Employer share (%)					
Single	88.3%	81.8%	6.5%	9.1%	11.1%
Family	76.3%	64.9%	11.4%	10.1%	15.6%
Deductible (\$)	\$200	\$300	-\$100	-\$54	-18.0%
Retiree health coverage	76.6%	59.8%	16.7%	14.6%	24.4%
<b>Pension</b>					
Percent covered	71.9%	43.8%	28.1%	23.6%	53.9%
Employer costs (per hour)	-	-	-	-	-
Defined benefit	-	-	-	\$0.39	36.1%
Defined contribution	-	-	-	-\$0.11	-17.7%
<b>Time off</b>					
Vacation weeks	2.98	2.35	0.63	-	26.6%
Paid holiday/vacation (hours)	-	-	-	22.2	14.3%

\* Adjusted for establishment size, occupation, industry, and other factors.

Source: Buchmueller, Di Nardo, and Valletta (2001) and Mishel et al. (2003).

Table 3 also shows the union impact on the financial value of benefits, including a breakdown of how much the greater value is due to greater incidence (i.e., unionized firms are more likely to offer the benefit) or to a more generous benefit that is provided.

Union workers' paid leave benefits are 11.4% higher in dollar terms, largely because of the higher value of the benefits provided (8.0% of the total 11.4% impact). Unions have a far larger impact on pensions and health insurance, raising the value of these benefits by 56% and 77.4%, respectively. For pensions, the higher value reflects both that unionized workers are more likely to receive this benefit in the first place and that the pension plan they receive is generally a "richer" one. For health benefits, the value added by unions mostly comes from the fact that union workers receive a far more generous health plan than nonunionized workers. This factor accounts for 52.7% of the total 77.4% greater value that organized workers receive.

Table 4 provides further information on the union premium for health insurance, pensions, and paid leave benefits, drawn from a different data source (a series of supplements to the CPS) than for Table 3.<sup>1</sup> The first two columns compare the compensation characteristics in union and nonunion settings. The difference between the union and nonunion compensation packages are presented in two ways: unadjusted (the difference between the first two columns) and adjusted (differences in characteristics other than union status such as industry, occupation, and established size). The last column presents the union premium, the percentage difference between union and nonunion compensation, calculated using the adjusted difference.

These data confirm that a union premium exists in every element of the compensation package. While 83.5% of unionized workers have employer-provided health insurance, only 62% of nonunionized workers have such a benefit. Unionized workers are 28.2% more likely than comparable nonunion workers to be covered by employer-provided health insurance. Employers with unionized workforces also provide better health insurance—they pay an 11.1% larger share of single worker coverage and a 15.6% greater share of family coverage. Moreover, deductibles are \$54, or 18%, less for unionized workers. Finally, unionized workers are 24.4% more likely to receive health insurance coverage in their retirement.

Similarly, 71.9% of unionized workers have pensions provided by their employers, while only 43.8% of nonunion workers do. Thus, unionized workers are 53.9% more likely to have pension coverage. Union employers spend 36.1% more on defined benefit plans but 17.7% less on defined contribution plans. As defined benefit plans are preferable—they provide a guaranteed benefit in retirement—these data indicate that union workers are more likely to have better pension plans.

Union workers also get more paid time off. This includes having 26.6% more vacation (or 0.63 weeks—three days) than nonunion workers. Another estimate, which includes vacations and holidays, indicates that union workers enjoy 14.3% more paid time off.

### **Union wages, nonunion wages, and total wages**

There are several ways that unionization's impact on wages goes beyond the workers covered by collective bargaining to affect nonunion wages and labor practices. For example, in industries and occupations where a strong core of workplaces are unionized, nonunion employers will frequently meet union standards or, at least, improve their compensation and labor practices beyond what they would have provided if there were no union presence. This dynamic is sometimes called the "union threat effect," the degree to which nonunion workers get paid more because their employers are trying to forestall unionization.

There is a more general mechanism (without any specific "threat") in which unions have affected nonunion pay and practices: unions have set norms and established practices that become more generalized throughout the economy, thereby improving pay and working conditions for the entire workforce. This has been especially true for the 75% of workers who are not college educated. Many "fringe" benefits, such as pensions and health insurance, were first provided in the union sector and then became more generalized—though, as we have seen, not universal. Union grievance procedures, which provide "due process" in the workplace, have been mimicked in many nonunion workplaces. Union wage-setting, which has gained exposure through media coverage, has frequently established standards of what workers generally, including many nonunion workers, expect from their employers. Until the mid-1980s, in fact, many sectors of the economy followed the "pattern" set in collective bargaining agreements. As unions weakened, especially in the manufacturing sector, their ability to set broader patterns has diminished. However, unions remain a source of innovation in work practices (e.g., training, worker participation) and in benefits (e.g., child care, work-time flexibility, sick leave).

The impact of unions on wage dynamics and the overall wage structure is not easily measurable. The only dimension that has been subject to quantification is the “threat effect,” though measuring this phenomenon is a difficult task for several reasons. First, the union presence will likely be felt most in the markets where unions are seeking to organize—the nonunion employers affected are those in competition with unionized employers. These markets vary in nature. Some of these markets are national, such as many manufacturing industries, while others are local—janitors and hotel and supermarket workers. Some markets are defined by the product—what employers sell, such as autos, tires and so on—while other markets are occupational, such as music, carpentry, and acting. Therefore, studies that compare industries cannot accurately capture the economic landscape on which unions operate and do not adequately measure the “threat effect.”

A second difficulty in examining the impact of the “threat effect” on nonunion wages is identifying a measure, or proxy, for the union presence. In practice, economists have used union density, the percentage of an industry that is unionized, as their proxy. The assumption here is that employers in highly organized settings face a higher threat of union organization than a nonunion employer in a mostly unorganized industry. In broad strokes, this is a reasonable assumption. However, taken too literally and simply, union density can be misleading. First, it is not reasonable to consider that small changes in union density—say, from 37% to 35%, or vice-versa—will produce observable changes in nonunion wages. Any measurement of the “threat effect” that relies on small changes in union density will almost surely—and erroneously—yield little or no effect. Second, the relationship between union density and nonunion wages is not linear. Union density is not likely to produce any threat effect until some threshold level of unionization is reached, as much as 30% to 40%. That is, unionization of 20% in a particular industry may have no impact but 40% unionization may be sufficient to make employers aware of union organizing and union pay and practices. Empirically, this means a 20 percentage point change in unionization density from zero to 20 may have no effect, but a change from 20 to 40 will have an effect. Likewise, a union presence of 60% to 70% may provide as strong a threat, or ability to set standards, as unionization of 80% or more. Therefore, the relationship between union density and nonunion wages depends on the level of density: significant effects after a threshold level of density (e.g., 30% to 40%), a greater effect when density is higher, but no continued increase of impact at the highest densities.

The sensitivity of the results to the specification—a linear or nonlinear specification of union density—is seen in studies of the union threat effect. A linear specification assumes that small changes at any level have the same impact, while a nonlinear specification allows the union effect to differ at different levels of unionization—perhaps less at low levels and more at medium or high levels. In an important early study of the “threat effect,” Freeman and Medoff (1981) examined the relationship between union density and nonunion wages and compensation in manufacturing. They found that union density had no association with higher nonunion pay (the relationship was positive but not statistically significant). Mishel (1982) replicated those results (p. 138) but also employed a nonlinear, qualitative specification (Table 4) that found large threat effects: nonunion establishments in industries with union density from 40% to 60% and from 60% to 80% paid 6.5% and 7.3% more, respectively, than nonunion establishments with low union density (0% to 40%).

**TABLE 5**  
**Illustration of impact of unions on**  
**average wages of high school graduates**

	Share of workforce	Union wage impact	Union contribution to higher average wage
Nonunion	75%	5.0%	3.8%
Union	25%	20.0%	5.0%
Total	100%	8.8%	8.8%

Farber (2002, 2003) has conducted the most recent analysis of union threat effects, the relationship between union density and nonunion wages across industries, in the private sector. Farber's analysis, which uses a linear specification of union density (i.e., assumes small changes at any level have an impact), combines sectors where threat effects, if any, are geographic (hotel, construction, and janitorial work) and national (manufacturing). In one analysis, Farber finds a positive threat effect for the 1970s, 1980s, and mid-1990s. For example, the average nonunion worker in an industry with 25% union density had wages 7.5% higher because of unionization's presence. Farber's results show a lower, but still significant, threat effect in later years, though the effect on the average nonunion wage has diminished because of the erosion of union density. Farber also shows, not surprisingly, that the threat effect is greater for workers with no more than high school degree but minimal for those with a college degree.

Farber pursues much more stringent tests of the threat effect in models that use "industry fixed effects" in order to ensure that the effect of other industry characteristics are not wrongly being attributed to union density. Farber's results in this further analysis show a threat effect among all workers in the 1970s and 1980s but not in the 1990s. Nevertheless, threat effects still prevailed across decades for those without high school degrees and for those with high school degrees, and in the 1980s for those with some college education. For example, nonunionized high school graduates (the largest category of workers in the United States) earned 2.0% to 5.5% higher wages in industries with 25% unionization than they did in completely nonunionized industries.

The union effect on total nonunion wages is nearly comparable to the effect of unions on total union wages. Table 5 illustrates the union impact on union, nonunion, and average wages among workers with a high school education. Farber's stringent model from 1983 estimates that, for high school workers in a 25% unionized industry, the "threat effect" raises the average nonunion wage by 5.0%, thereby lifting the average wage by 3.8%. Assuming that unions have raised the wages of union workers by 20%, this raises the average high school wage by 5% (25% of 20%). The total effect of unions on the average high school wage in this example is an 8.8% wage increase, 3.8 percentage points of which are due to the higher wages earned by nonunion workers and 5.0 percentage points of which are due to the union wage premium enjoyed by nonunionized workers.

Two conclusions can be reached based on these studies. First, unions have a positive impact on the wages of nonunion workers in industries and markets where unions have a strong presence. Second, because the nonunion sector is large, the union effect on the overall aggregate wage comes almost as much from the impact of unions on nonunion workers as on union workers.

### **Unions and workplace protections**

An extensive array of labor laws and regulations protects workers in the labor market and the workplace. From the National Labor Relations Act and Social Security Act of 1935 to the Occupational Safety and Health Act of 1970 and the Family Medical Leave Act of 1993, labor unions have been instrumental in securing labor legislation and standards. However, beyond their role in initiating and advocating enactment of these laws and regulations, unions have also played an important role in enforcing workplace regulations. Unions have provided labor protections for their members in three important ways: 1) they have been a voice for workers in identifying where laws and regulations are needed, and have been influential in getting these laws enacted; 2) they have provided information to members about workers' rights and available programs; and 3) they have encouraged their members to exercise workplace rights and participate in programs by reducing fear of employer retribution, helping members navigate the necessary procedures, and facilitating the handling of workers' rights disputes (Weil 2003; Freeman and Medoff 1984; Freeman and Rogers 1999).

Unions have played a prominent role in the enactment of a broad range of labor laws and regulations covering areas as diverse as overtime pay, minimum wage, the treatment of immigrant workers, health and retirement coverage, civil rights, unemployment insurance and workers' compensation, and leave for care of newborns and sick family members. Common to all of these rules is a desire to provide protections for workers either by regulating the behavior of employers or by giving workers access to certain benefits in times of need (Weil 2003; Davis 1986; Amberg 1998). Over the years, these rules have become mainstays of the American workplace experience, constituting expressions of cherished public values (Gottesman 1991; Freeman and Medoff 1984).

Less well recognized perhaps, is the important role that unions play in ensuring that labor protections are not just "paper promises" at the workplace. Government agencies charged with the enforcement of regulations cannot monitor every workplace nor automate the issuance of insurance claims resulting from unemployment or injury. In practice, the effectiveness of the implementation of labor protections depends on the worker's decision to act. This is done either by reporting an abuse or filing a claim. Unions have been crucial in this aspect by giving workers the relevant information about their rights and the necessary procedures, but also by facilitating action by limiting employer reprisals, correcting disinformation, aggregating multiple claims, providing resources to make a claim, and negotiating solutions to disputes on behalf of workers (Freeman and Rogers 1999; Weil 2003; Hirsch, et al. 1997).

Evidence of the vital role of unions in implementing labor protections can be found in the research on various programs and benefits. Union membership significantly increases the likelihood that a

worker will file a claim or report an abuse. Examples of this research can be found in such areas as unemployment insurance, worker's compensation, the Occupational Safety and Health Act, the Family Medical Leave Act, pensions, and the Fair Labor Standards Act's overtime provision.

#### ***Unemployment insurance***

Unemployment insurance (UI) is a joint federal and state program that was created in the Social Security Act of 1935 to provide some income replacement to workers who lose their job through no fault of their own. Budd and McCall (1997) offer a cost-benefit decision-making analysis to explain the costs facing the unemployed worker in filing a UI claim. In a system with complex eligibility rules and benefit calculations and a lack of uniformity among states regarding these rules, the difficulty, or "cost," of obtaining information is formidable. In fact, the main reason that many unemployed workers never file a claim is because they thought they were not eligible (Wandner and Stettner 2000). The threat of an employer retaliating by not rehiring a laid-off worker might be another cost weighing on the decision to file a claim. Unions can help offset the costs of workers who are laid off.

Primarily, unions provide information to workers about benefit expectations, rules, and procedures, and dispel stigmas that might be attached to receiving a social benefit. Unions also can negotiate in their contracts layoff recall procedures based on seniority and protection against firing for other than a just cause, as well as help workers build files in the case of a disputed claim (Budd and McCall 1997). Additionally, the union-wage differential reduces the likelihood that unemployed workers will be ineligible for benefits because their pay is too low (Wenger 1999).

Budd and McCall (1997) have estimated that union representation increases the likelihood of an unemployed worker in a blue-collar occupation receiving UI benefits by approximately 23%. At the peak of UI coverage in 1975, one in every two unemployed workers received UI benefits. By the mid-1980s, the ratio of claims to unemployed workers (the recipiency rate) had fallen to almost 30%. Blank and Card (1991) found that the decline in unionization explained one-third of the decline in UI recipiency over this period. These findings underscore the difference unions make in ensuring that the unemployment insurance system works. Considering that UI acts as a stabilizer for the economy during times of recession, the role of unions in this program is pivotal (Wandner and Stettner 2000).

#### ***Worker's compensation***

Laws governing workers' compensation are primarily made at the state level (with the exception of federal longshoremens), but they generally form an insurance system in cases where a worker is injured or becomes ill at the workplace. The employer is liable in the system, regardless of fault, and in return they are protected from lawsuits and further liability. Once again, lack of information about eligibility and the necessary procedures for filing a claim forms the greatest obstacle to receipt of benefits. Fear of employer-imposed penalties and employer disinformation are important other factors weighed by workers deciding whether to act.



As with unemployment insurance, unions provide information to workers through their representatives, and they often negotiate procedures to handle indemnity claims. Through grievance procedures and negotiated contracts, unions protect workers from employer retaliation and, furthermore, act to dispel the notion among workers that employer retaliation is commonplace (Hirsch et al. 1997).

Hirsch et al. (1997) found that, after controlling for a number of demographic and occupational factors, union members are 60% more likely to file an indemnity claim than nonunion workers. Employers and the private insurance companies that sell worker's compensation insurance policies have mutual interests in denying claims to limit costs (Biddle 2001). According to Biddle, higher denial rates lead to lower claim rates. The robust finding of Hirsch et al. demonstrates that unions provide a needed counterbalance to this interest.

#### ***Occupational Safety and Health Act (OSHA)***

The Occupational Safety and Health Act of 1970 (OSHA) provided the foundation for the Occupational Safety and Health Administration, which enforces safety and health standards at places of work. The administration's purpose is to limit work-related injury, illness, and death due to known unsafe working conditions. They currently have only 2,100 inspectors to monitor over seven million establishments. Enforcement of OSHA regulations presents an obvious challenge; OSHA implementation requires worker action to initiate complaints.

In two studies of OSHA and unions in the manufacturing and construction industries (1991a and 1991b), Weil found unions greatly improve OSHA enforcement. In the manufacturing industry, for example, the probability that OSHA inspections would be initiated by worker complaints was as much as 45% higher in unionized workplaces than in nonunion ones. Unionized establishments were also as much as 15% more likely to be the focus of programmed or targeted inspections in the manufacturing industry. In addition, Weil found that in unionized settings workers were much more likely to exercise their "walkaround" rights (accompanying an OSHA inspector to point out potential violations), inspections lasted longer, and penalties for noncompliance were greater. In the construction industry, Weil estimated that unions raise the probability of OSHA inspections by 10%.

In addition to the findings above, Weil notes that the union differential could be even larger if OSHA's resources were not so limited. He claims, "Implementation of OSHA seems highly dependent upon the presence of a union at the workplace" (Weil 1991a). Following the trend of declining unionization, OSHA claims have dropped from their peak in 1985 of over 71,500 and are currently at close to 37,500 (Siskind 2002; OSHA 2003).

#### ***Family Medical Leave Act (FMLA)***

Passed in 1993, the FMLA grants workers 12 weeks of unpaid leave in a 12-month period to care for newborn or newly adopted children, or in case of a personal or family member's health condition. The leave taker is guaranteed the same or equivalent position upon return. One of the most striking characteristics of the act is that less than an estimated 60% of employees covered by the FMLA are not even

aware that it exists. There is also widespread misunderstanding on the part of the employer about whom the act covers and when it applies. There is evidence that this leads employers to reject legally entitled leaves (Budd and Brey 2000).

According to Budd and Brey (2000), union members were about 10% more likely to have heard of the FMLA and understand whether or not they were eligible. Union members were found to have significantly less anxiety about losing their job or suffering other employer-imposed penalties for taking leave. And although the authors did not find union membership significantly increases the likelihood that a worker would take leave, they did find that union members were far more likely to receive full pay for leave taken.

The biggest obstacle to workers exercising their rights under the FMLA—besides the fact that the leave is unpaid rather than paid—is information, since only a very slim majority has even heard of the act. With the exception of a \$100 fine for failing to post a notice, employers have little incentive to inform employees of their rights. Unions are one of the few institutions to create awareness about FMLA's existence and regulations.

#### *Fair Labor Standards Act (FLSA)*

This act, passed in 1938, had two main features: first, it established a federal minimum wage. Second, it established the 40-hour work week for hourly wage earners, with an overtime provision of time and a half the hourly wage for work done beyond 40 hours. Trejo (1991) examined the union effect on compliance of the latter part of the FLSA, finding that employer compliance with the overtime pay regulation rose sharply with the presence of a union. He hypothesizes that this result reflects the policing function of unions because unions often report violations to enforcement agencies.

#### *Summary: union impact on workplace protections*

The research evidence clearly shows that the labor protections enjoyed by the entire U.S. workforce can be attributed in large part to unions. The workplace laws and regulations, which unions helped to pass, constitute the majority of the labor and industrial relations policies of the United States. However, these laws in and of themselves are insufficient to change employer behavior and/or to regulate labor practices and policies. Research has shown convincingly that unions have played a significant role in enforcing these laws and ensuring that workers are protected and have access to benefits to which they are legally entitled. Unions make a substantial and measurable difference in the implementation of labor laws.

Legislated labor protections are sometimes considered alternatives to collective bargaining in the workplace, but the fact of the matter is that a top-down strategy of legislating protections may not be influential unless there is also an effective voice and intermediary for workers at the workplace—unions. In all of the research surveyed, no institutional factor appears as capable as unions of acting in workers' interests (Weil 2003). Labor legislation and unionization are best thought of as complements, not substitutes.

### Conclusion

This paper has presented evidence on some of the advantages that unionized workers enjoy as the result of union organization and collective bargaining: higher wages; more and better benefits; more effective utilization of social insurance programs; and more effective enforcement of legislated labor protections such as safety, health, and overtime regulations. Unions also set pay standards and practices that raise the wages of nonunionized workers in occupations and industries where there is a strong union presence. Collective bargaining fuels innovations in wages, benefits, and work practices that affect both unionized and nonunionized workers.

However, this review does not paint a full picture of the role of unions in workers' lives, as unions enable due process in the workplace and facilitate a strong worker voice in the broader community and in politics. Many observers have stated, correctly, that a strong labor movement is essential to a thriving democracy.

Nor does this review address how unionism and collective bargaining affect individual firms and the economy more generally. Analyses of the union effect on firms and the economy have generally found unions to be a positive force, improving the performance of firms and contributing to economic growth (Freeman and Medoff 1984; Mishel and Voos 1992; Belman 1992; Belman and Block 2002; Stiglitz 2000; Freeman and Kleiner 1999; Hristus and Laroche 2003; with a dissenting view in Hirsch 1997). There is nothing in the extensive economic analysis of unions to suggest that there are economic costs that offset the positive union impact on the wages, benefits, and labor protections of unionized and nonunionized workers. Unions not only improve workers' benefits, they also contribute to due process and provide a democratic voice for workers at the workplace and in the larger society.

— August 2003

### Endnote

1. The ECI data and the March CPS supplements show different benefit coverage rates with a union differential in coverage lower in the ECI than the CPS. This may reflect that the CPS reports individuals' coverage while the ECI reports the coverage of occupational groups in establishments. The ECI overstates nonunion benefit coverage to the extent that uncovered nonunion workers are present in unionized occupation groups.

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## IMMIGRATION

FEBRUARY 16, 2000

NEW ORLEANS, LA

The AFL-CIO proudly stands on the side of immigrant workers. Throughout the history of this country, immigrants have played an important role in building our nation and its democratic institutions. New arrivals from every continent have contributed their energy, talent, and commitment to making the United States richer and stronger. Likewise, the American union movement has been enriched by the contributions and courage of immigrant workers. Newly arriving workers continue to make indispensable contributions to the strength and growth of our unions. These efforts have created new unions and strengthened and revived others, benefitting

all workers, immigrant and native-born alike. It is increasingly clear that if the United States is to have an immigration system that really works, it must be simultaneously orderly, responsible and fair. The policies of both the AFL-CIO and our country must reflect those goals.

The United States is a nation of laws. This means that the federal government has the sovereign authority and constitutional responsibility to set and enforce limits on immigration. It also means that our government has the obligation to enact and enforce laws in ways that respect due process and civil liberties, safeguard public health and safety, and protect the rights and opportunities of workers.

The AFL-CIO believes the current system of immigration enforcement in the United States is broken and needs to be fixed. Our starting points are simple:

- Undocumented workers and their families make enormous contributions to their communities and workplaces and should be provided permanent legal status through a new amnesty program.
- Regulated legal immigration is better than unregulated illegal immigration.
- Immigrant workers should have full workplace rights in order to protect their own interests as well as the labor rights of all American workers.
- Labor and business should work together to design cooperative mechanisms that allow law-abiding employers to satisfy legitimate needs for new workers in a timely manner without compromising the rights and opportunities of workers already here.
- Labor and business should cooperate to undertake expanded efforts to educate and train American workers in order to upgrade their skill levels in ways that enhance our shared economic prosperity.
- Criminal penalties should be established to punish employers who recruit undocumented workers from abroad for the purpose of exploiting workers for economic gain.

Current efforts to improve immigration enforcement, while failing to stop the flow of undocumented people into the United States, have resulted in a system that causes discrimination and leaves unpunished unscrupulous employers who exploit undocumented workers, thus denying labor rights for *all* workers.

The combination of a poorly constructed and ineffectively enforced system that results in penalties for only a few of the employers who violate immigration laws has had especially detrimental impacts on efforts to organize and adequately represent workers. Unscrupulous employers have systematically used the I-9 process in their efforts to retaliate against workers who seek to join unions, improve their working conditions, and otherwise assert their rights.

Therefore, the AFL-CIO calls for replacing the current I-9 system as a tool of workplace immigration enforcement. We should substitute a system of immigration enforcement strategies that focuses on the criminalization of employer behavior, targeting those employers who recruit undocumented workers from abroad, either directly or indirectly. It should be supplemented with strong penalties against employers who abuse workers' immigration status to suppress their rights and labor protections. The federal government should aggressively investigate, and criminally prosecute, those employers who knowingly exploit a worker's undocumented status in order to prevent enforcement of workplace protection laws.

We strongly believe employer sanctions, as a nationwide policy applied to all workplaces, has failed and should be eliminated. It should be replaced with an alternative policy to reduce undocumented immigration and prevent employer abuse. Any new policy must meet the following principles: 1) it must seek to prevent employer discrimination against people who look or sound foreign; 2) it must allow workers to pursue legal remedies, including supporting a union, regardless of immigration status; and 3) it must avoid unfairly targeting immigrant workers of a particular nationality.

There is a long tradition in the United States of protecting those who risk their financial and physical well-being to come forward to report violations of laws that were enacted for the public good. Courageous undocumented workers who come forward to assert their rights should not be faced with deportation as a result of their actions. The recent situation at the Holiday Inn Express in Minneapolis highlights the perversity of the current situation. Therefore, the AFL-CIO calls for the enactment of whistleblower protections providing protected immigration status for undocumented workers who report violations of worker protection laws or cooperate with federal agencies during investigations of employment, labor and discrimination violations. Such workers should be accorded full remedies, including reinstatement and back pay. Further, undocumented workers who exercise their rights to organize and bargain collectively should also be provided protected immigration status.

Millions of hard-working people who make enormous contributions to their communities and workplace are denied basic human rights because of their undocumented status. Many of these men and women are the parents of children who are birthright U.S. citizens. The AFL-CIO supports a new amnesty program that would allow these members of local communities to adjust their status to permanent resident and become eligible for naturalization. The AFL-CIO also calls on the Immigration and Naturalization Service to address the shameful delays facing those seeking to adjust their status as a result of the Immigration Reform and Control Act.

Immediate steps should include legalization for three distinct groups of established residents: 1) approximately half-a-million Salvadorans, Guatemalans, Hondurans, and Haitians, who fled civil war and civil strife during the 1980s and early 1990s and were unfairly denied refugee status, and have lived under various forms of temporary legal status; 2) approximately 350,000 long-resident immigrants who were unfairly denied legalization due to illegal behavior by the INS during the amnesty program enacted in the late 1980s; and 3) approximately 10,000 Liberians who fled their homeland's brutal civil war and have lived in the United States for years under temporary legal status.

Guestworker programs too often are used to discriminate against U.S. workers, depress wages and distort labor markets. For these reasons, the AFL-CIO has long been troubled by the operation of such programs. The proliferation of guestworker programs has resulted in the creation of a class of easily exploited workers, who find themselves in a situation very similar to that faced by undocumented workers. The AFL-CIO renews our call for the halt to the expansion of guestworker programs. Moreover, these programs should be reformed to include more rigorous labor market tests and the involvement of labor unions in the labor certification process. All temporary guestworkers should be afforded the same workplace protections available to all workers.

The rights and dignity of all workers can best be ensured when immigrant and non-immigrant workers are fully informed about the contributions of immigrants to our society and our unions, and about the rights of immigrants under current labor, discrimination, naturalization and other laws. Labor unions have led the way in developing model programs that should be widely emulated. The AFL-CIO therefore supports the creation of education programs and centers to educate workers about immigration issues and to assist workers in exercising their rights.

Far too many workers lack access to training programs. Like all other workers, new immigrants want to improve their lives and those of their families by participating in job training. The AFL-CIO supports the expansion of job training programs to better serve immigrant populations. These programs are essential to the ability of immigrants to seize opportunities to compete in the new economy.

Immigrant workers make enormous contributions to our economy and society, and deserve the basic safety net protections that all other workers enjoy. The AFL-CIO continues to support the full restoration of benefits that were unfairly taken away through Federal legislation in 1996, causing tremendous harm to immigrant families.

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#### IMMIGRATION

JULY 31, 2001

CHICAGO, IL

In just the last few weeks, leaders at all levels of government have heard the voices of immigrants and their allies in labor, religious, civil rights and community groups, demanding an opportunity for undocumented workers to move out of the shadows and continue their contributions in their workplaces and communities without fear and with the rights and protections of any other U.S. worker. Many states and localities have embraced immigrant workers and their families, establishing day labor centers to ensure a decent wage for hard work, facilitating easier access to driver's licenses, and investing in the future by helping more immigrant children attend college. And most recently, both the White House and Congress appear poised to push serious changes in immigration law that will affect us all, regardless of immigration status.

The AFL-CIO welcomes these developments. Though globalization is often viewed as a one-way street to move capital around the world, it can pave the road to reunification of families and to opportunities to improve living standards through hard work. The United States bears dramatic testament to this phenomenon: according



to the 2000 census, there are more foreign-born people in the United States now, in all categories of immigration, than ever before.

As a workers' movement built by immigrants, we believe the nation should embrace immigrants for the diversity and values they bring, rather than fear them as threats to values or jobs. Hopefully, the debates in town halls, Congress and the media will culminate in prompt and fair changes that benefit us all, and that reflect our values as a people.

More than a year ago, in February 2000, the AFL-CIO Executive Council firmly and squarely set out our view that immigrants have played and continue to play an extremely important role in the workplace and society; and that they are entitled to full and fair workplace protections. We believe that the principles we laid out in our statement on immigration should form national immigration policy. Specifically:

- undocumented workers and their families should be provided permanent legal status through a new legalization program;
- employer sanctions and the I-9 system should be replaced with a system that targets and criminalizes business behavior that exploits workers for commercial gain;
- immigrant workers should have full workplace rights, including the right to organize and protections for whistleblowers;
- labor and business together should design mechanisms to meet legitimate needs for new workers without compromising the rights and opportunities of workers already here; and
- guestworker programs should be reformed but not expanded.

The foundation of any discussion on immigration must begin with a broad legalization program that makes no distinction based on country of origin and that allows undocumented workers and their families who have been working hard, paying taxes and contributing to their communities the opportunity to adjust to permanent legal resident status. The Congressional Hispanic Caucus is blazing the trail that the country must follow to address the inequities in our current immigration system.

The AFL-CIO and its affiliated unions will work vigilantly with our coalition partners representing the immigrant, ethnic, faith, and civil rights communities to ensure that comprehensive legislation providing for legalization and the enforcement of workplace rights for all workers is introduced in Congress and ultimately signed into law.

Along with legalization, reform of the immigration system must also include repeal of the current system of workplace immigration enforcement with its emphasis on the I-9 system. The current system does not work: not only does it not deter the hiring of undocumented workers, it actually protects employers who violate labor law as a matter of business practice. Instead of punishing workers, the I-9 enforcement system should be replaced with one that further criminalizes smuggling and production of fraudulent documents for commercial gain, creates stiff penalties for employers who exploit immigrant status to interfere with workers' exercise of employment and labor rights, and gives protected status to those immigrant workers who courageously come forward to protest violations of their workplace rights. The workplace is stronger, fairer and safer for all when the rights of every worker are equally protected and enforced by law.

We should recognize that one of the reasons for undocumented immigration is that our current legal immigration system for family members and for workers is in shamefully bad shape. Whether addressing the family reunification backlogs or processing the applications of those seeking to adjust their status, the INS should be appropriated adequate amounts of funding specifically dedicated to benefits and services. The promise of legalization is only real when the agency administering the program has properly trained staff, reasonable regulations promulgated in accordance with the letter and spirit of the law, and the funding necessary to process applications in a fair and efficient manner.

Beginning the debate on immigration reform by fashioning it around creation of an extensive new guestworker program for low-skill jobs, as some have proposed, is a wrong-headed approach. The upshot of every guestworker program in the United States to-date has been to further depress wages for all workers, foreign and U.S.-born, to cause greater exploitation, and to reduce overall employment opportunities. Oftentimes, the agricultural guestworker program continues even as its abuses are chronicled. In the future for other industries, it is unacceptable to tie immigrant workers to an employer, industry or region with the nebulous promise of some form of legalization after a period of many years. It is equally unacceptable that guestworkers be used to deny opportunities to U.S. workers and drive wages

down. Guestworker programs must be reformed first before we discuss their use as a tool for legalization.

Along with U.S. workers, immigrant workers perform valuable jobs. Too often, employers have attempted to divide workers by race, ethnicity and immigration status, playing one group against the other to undermine solidarity and preclude workers from achieving progress together. History has proven that mistreatment of one group in a workplace will ultimately lead to the mistreatment of all workers. We have much to learn from each other. We must be mindful of and learn from the history of oppression that many U.S. workers have faced, in particular the long struggle of African-American workers. All workers must understand the difference that unions make for workers, whether it is a living wage, better benefits or a safer work environment.

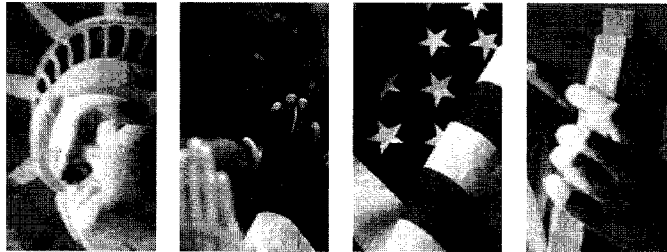
Like our nation, our workplaces are becoming more diverse. Our nation, our workplaces, and our movement will be better and stronger by including those previously excluded. Together, as union brothers and sisters, we will embrace, celebrate and respect our diversity, and will aggressively pursue policies and laws that ensure the fair treatment for all workers and their families.

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IMMIGRATION POLICY FOCUS

Volume 1, Issue 2

September, 2002



**MEXICAN IMMIGRANT WORKERS  
AND THE U.S. ECONOMY:**

*An Increasingly Vital Role*

AMERICAN IMMIGRATION LAW FOUNDATION



AFP Photo/Jeff Kowalsky

"...We both recognize how important the contribution to our economy the Mexican workers have made; that we want people treated with respect; that we both have a mutual and shared responsibility to make sure our border is safe, and that we enforce the border; that I hope to come forward with a program that will pass the Congress, that deals with guest workers with some sense of normalization. And I would like to do that as soon as possible."

—U.S. President Bush speaking to Mexican President Fox, September 6, 2001.

## EXECUTIVE SUMMARY

The dialogue between the United States and Mexico, culminating in the Bush-Fox visit of September 5, 2001, promised to open exciting new ways for the two countries to regularize the historic migration relationship between them. The two Presidents discussed making "legality" the norm — regularizing the status of millions of undocumented Mexican immigrants working hard, paying taxes, and raising families in America, and providing new temporary programs for those who wish to work in the U.S. and return home.

One week later, the most horrific acts of terrorism the United States has ever known brought the U.S.-Mexico discussions to a complete halt as America scrambled to address security issues and to bring to justice those responsible for the attacks.

During the months that followed, Congress and the Bush Administration implemented a series of new laws, executive orders, regulations, and other directives that sought to make America safer from future attacks. Yet while these new security provisions were undertaken, the immigration issues facing the United States and Mexico did not disappear. The need to address these issues remains as critical as before, based on the American Immigration Law Foundation's review of recent government data about the impact of Mexican workers on the nation's economy. Among AILF's findings:

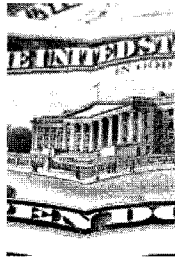
***Mexican Workers Are Integral to U.S. Economic Growth.*** The portion of Mexican workers in the U.S. workforce has doubled during the past decade, as they become more integral to the nation's economic growth. While other immigrant groups also perform these essential worker jobs, the size of the Mexican population makes its impact on the U.S. economy more quantifiable.

***Mexican Workers Are Filling Needed Jobs in New Geographic Areas.*** Mexican workers are becoming increasingly important in locations throughout the nation not previously known for large immigrant populations, including southern states such as Mississippi and Tennessee.

***New Jobs Will Not Require Advanced Education.*** Nearly 43 percent of all job openings by 2010 will require only a minimal education, at a time when native-born Americans are obtaining college degrees in record numbers and are unlikely to accept positions requiring minimal education.

America's current immigration policies are antiquated and fail to recognize the importance of Mexican workers to the national economy. A year has now passed since the Bush-Fox visit of 2001. The nation must act to reform immigration laws so that they give the immigration system the integrity to keep Americans safe, while at the same time giving businesses the essential workers they need to succeed. U.S. immigration law must provide ways for Mexican workers to enter and remain in the U.S., in both temporary and permanent status, with protections to assure that they have the dignity and respect they deserve, given the important contributions they make to America. The status quo can no longer be accepted if the United States is to remain the world's leading economy.

## MEXICAN IMMIGRANT WORKERS AND THE U.S. ECONOMY: An Increasingly Vital Role



The impact of Mexican immigration on the United States has been a major focus of policymakers and the public for well over a decade now. Federal legislation passed in the 1980s and 1990s was directed to a large extent at the perceived impacts of the ongoing arrival of tens of thousands of Mexican immigrants to the U.S. Similarly, local elected officials, members of the news media, and the general public regularly contend with understanding and responding to the movement of Mexican immigrants into communities across the nation.

American employers in a wide variety of industries, however, clearly recognize the value of Mexican immigrant workers. U.S. industry has hired and continues to seek to hire large numbers of Mexican workers due to significant worker shortages in America, fueling a dramatically increased role for Mexican immigrants in the national economy.

In the 1990s alone, the number of Mexican immigrant workers in the U.S. grew by 2.9 million persons, a 123 percent increase in this segment of the labor force. In contrast, the overall number of American workers grew by only 13 percent in the same period.

## UNEMPLOYMENT RATE AT HISTORICALLY LOW LEVEL

The supply of Mexican workers has been critical to the expansion of U.S. industry in the last decade. Even while absorbing 2.9 million Mexican workers in the 1990s—who represent 19 percent or one of every 5 new workers joining the labor force in the period—the U.S. workforce overall saw its unemployment rate fall from 6.3 percent in 1990 to 3.9 in 2000. Far from leading to an oversupply of workers, the arrival of significant numbers of Mexican workers has permitted American employers to have access to needed personnel in a tight labor market.

The owners and managers of factories, restaurants, hotels, construction sites, hospitals, orchards, and innumerable other places of employment have been clear about their need for con-

tinued access to immigrant workers, a large portion of whom, statistics show, come from Mexico. Testifying on U.S.-Mexico migration before the U.S. Senate, Thomas J. Donahue, President and CEO of the U.S. Chamber of Commerce asked "Who will fill the millions of essential worker positions that we will create? Immigration must be one answer."<sup>1</sup>

Other organizations such as the American Health Care Association, the American Hotel and Motel Association, and the National Association of Home Builders have written to Congress in recent years describing businesses who find themselves "with no applicants of any kind for numerous job openings." They cite the comments of Alan Greenspan, Chair of the Federal Reserve Board, that the inflationary pressures caused by a tight labor market can be alleviated "if we can open up our immigration rolls significantly." Even in Summer 2002, with well-publicized declines in the stock market, unemployment in the U.S. was 5.9 percent in June 2002, still well below unemployment rates of over 7 percent in the early 1990s. And despite a slight increase in the unemployment rate, employers still cannot find sufficient workers in the housing, retail, and service industries, with the U.S. Bureau of Labor Statistics projecting that 22 million new jobs will be created by 2010, with 70 percent of those requiring only on-the-job training.<sup>2</sup>

Employers cannot find sufficient workers in the housing, retail and service industries.

## ESSENTIAL WORKER JOB OPENINGS INCREASE

For American employers, Mexican immigration plays a critical role in efforts to maintain a sufficiently large pool of workers in part because of the close match between the needs of employers and the job readiness of Mexican immigrant workers, especially in "essential worker" categories, which are considered both unskilled and semi-skilled workers. The U.S. Department of Labor reports that of the top 30 occupations with the largest projected job growth in the 2000-2010 period, 16 are job categories that require only "short-term, on-the-job training."

In fact, the Labor Department reports that by 2010 some 24.7 million jobs will open up for persons with minimal education levels, and that these jobs will represent nearly 43 percent of all projected openings (Table 1). Another 15.1 percent of expected employment opportunities will require only "moderate-term on-the-job training" without college, according to the Labor Department. With rising educational levels among native-born workers — 90.5 percent had a high school degree in 2000 compared to



86.8 percent in 1990 — immigrant workers are necessary to fill gaps in the labor force.

As citizens of a developing nation, many Mexican immigrants may have relatively low levels of formal education, but they have the necessary skills that are compatible with numerous jobs being created in the U.S. Furthermore, Mexicans experience pressures to emigration in search of jobs because of high unemployment in their home country. Under this scenario, Mexican immigrants are an obvious source of recruits for American employers.

*Table 1*

**JOB OPENINGS BY LEVEL OF EDUCATION OR TRAINING NEEDED, 2000-2010**  
(Numbers in Thousands of Jobs)

Training Required	Number of Job Openings	Percent of All Openings
B.A. Degree or Higher	12,130	20.9
Associate Degree or Vocational Award	5,383	9.3
Work Experience in a Related Occupation	3,180	5.5
Long-Term on-the-Job Training	3,737	6.5
Moderate-Term on-the-Job Training	8,767	15.1
Short-Term on-the-Job Training	24,735	42.7

Source: U.S. Department of Labor, Bureau of Labor Statistics

## INCREASED RELIANCE ON MEXICAN IMMIGRANT WORKERS

While the record for the highest level of U.S. immigration remains the decade of the 1990s (with immigrants accounting for 13.6 percent of the population), the decade of the 1990s did see the foreign-born population grow by 10.7 million persons (10.4 percent of the population).<sup>3</sup> Mexican immigration was a key part of this phenomenon. The Mexican foreign-born population grew by 104 percent during the 1990s, from 4.3 million to 8.8 million persons overall. Mexicans were 42 percent of all the new immigrants that came to this country during the 1990s.

As the Mexican foreign-born population grew in the 1990s, it became an increasingly important part of the U.S. labor force. While Mexican immigrants were 2.0 percent of the U.S. labor force in 1990, by 2000, this had nearly doubled, with Mexican immi-



grants accounting for 4.0 percent of the U.S. workforce.

Almost every major industrial sector experienced a dramatic increase in its reliance on Mexican workers in the 1990s. As seen in Table 2, the percent of agricultural and related workers who were born in Mexico jumped from 8.8 percent in 1990 to 15.3 percent. The construction industry workforce was 3.3 percent Mexican foreign born in 1990 but by 2000 this had grown to 8.5 percent. Mexican immigrants were 3.5 percent of nondurable goods manufacturing employees in 1990, but were 9.1 percent in 2000. Mexican workers were increasingly important to two sub-sectors of the service industry. The percent of service workers providing administration and support grew from 4.0 percent in 1990 to 9.1 in 2000. The percent of service workers providing accommodations and food increased from 4.2 percent to 9.5 percent.

Table 2

NEARLY ALL MAJOR INDUSTRIES INCREASED  
RELIANCE ON MEXICAN IMMIGRANT WORKERS

	Mexican Immigrants as Pct. of Workforce 1990	Mexican Immigrants as Pct. of Workforce 2000
Agriculture, Forestry, Fishing and Hunting	8.8	15.3
Mining	1.5	3.0
Utilities	1.0	0.7
Construction	3.3	8.5
Mfg. - Nondurable Goods	3.5	9.1
Mfg. - Durable Goods	2.8	4.7
Wholesale Trade	2.3	4.9
Retail Trade	1.3	2.5
Transportation and Warehousing	1.1	2.5
Information	0.5	1.7
Finance and Insurance	0.4	1.0
Real Estate and Rental and Leasing	1.1	2.8
Services	1.6	3.3
Total	2.0	4.0

Source: 1990 Census and Census 2000 Supplementary Survey

The presence of Mexican foreign-born workers is especially notable in certain specific industrial categories. Mexican employees are 4.0 percent of all workers nationally, but they are represented at twice this rate in 19 detailed industrial categories. As seen in Table 3, Mexican workers are 8 to 11.9 percent of

Mexicans accounted  
for 42 percent of  
all new immigrants  
during the 1990s.



workers in 11 industrial categories, such as construction and plastics manufacturing. Mexican immigrants were between 12.0 to 15.9 percent of all employees in 5 industries, including bakeries and furniture manufacturing, and there were 5 industries in which Mexican immigrants were at least 16.0 percent of all workers. Indeed, in these five latter industries, which included crop agriculture, fruit and vegetable manufacturing, animal slaughter, and landscaping, Mexican workers were more than one-fifth of the entire workforce.

**Table 3**

INDUSTRIES WITH HIGH USE OF MEXICAN WORKERS	
Industry	Mexican Immigrants as Pct. of Workforce 2000
Agriculture - Crops	22.9
Agriculture - All Other (Except Animal)	10.9
Construction	8.5
Mfg. - Fruit and Vegetable	22.3
Mfg. - Animal Slaughter	26.8
Mfg. - Bakeries	15.2
Mfg. - Other Food	9.4
Mfg. - Textile Mill	9.7
Mfg. - Apparel	15.6
Mfg. - Plastics	10.4
Mfg. - Lumber/Wood	8.7
Mfg. - Furniture	12.2
Wholesale - Grocery	10.6
Professional - Services to Buildings	13.2
Professional - Landscaping	22.6
Entertainment - Restaurant and Drink	10.0
Service - Car Washes	28.0
Service - Drycleaning	10.4
Service - Private Household	13.4

Source: 1990 Census and Census 2000 Supplementary Survey

### MISSISSIPPI & TENNESSEE AMONG STATES BENEFITING FROM ACCESS TO MEXICAN AMERICAN WORKERS

In 1990, just 3 states — California, Texas and Illinois — accounted for about 85 percent of all Mexican immigrant workers. By 2000, however, only some 68 percent of Mexican workers were in those states, and new patterns of immigration had developed, often in areas not traditionally associated with Mexican immigration.<sup>4</sup>

Table 4 shows the remarkable growth of the Mexican labor force in each regional division of the United States during the 1990s.<sup>9</sup> (These are official Census Bureau regional definitions.) The number of Mexican workers grew by at least 100 percent in 8 of 9 U.S. regions. The number of Mexican workers increased most impressively in the East South Central states of Alabama, Kentucky, Mississippi and Tennessee, where the population grew by 3,800 percent, adding 112,000 workers to the region's labor force. The West North Central states, stretching from Minnesota and North Dakota down to Missouri and Kansas, saw the Mexican workforce grow by 520 percent. Mexican employees in the South Atlantic regional division, ranging from Delaware to Florida, grew in number by 493 percent.

While the most striking percentage growth in the Mexican labor force took place in the southeast and in the central part of the nation, the greatest numerical growth occurred in the Pacific states, which added 954,000 Mexican workers in the 1990s. Most of this growth was in California, whose Mexican workforce grew by 864,000. Second to the Pacific states was the West South Central regional division including Arkansas, Louisiana, Oklahoma and Texas. The region's number of Mexican workers increased by 540,000, with the great majority of the increase in Texas, which added 510,000 Mexican workers.

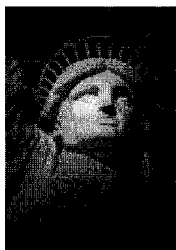
New patterns of immigration have developed, most notably in Southern states.

Table 4

NUMERIC AND PERCENTAGE GROWTH OF MEXICAN IMMIGRANT WORKERS, BY U.S. REGIONAL DIVISION			
	Percentage Growth of Mexican Workers, 1990-2000	Numeric Growth of Mexican Workers, 1990-2000	2000 Population of Mexican Workers
New England	361%	19,562	24,984
Middle Atlantic	353%	138,900	178,282
East North Central	141%	273,720	467,363
West North Central	520%	94,242	112,376
South Atlantic	493%	318,268	382,772
East South Central	3,808%	112,289	115,238
West South Central	118%	539,563	998,033
Mountain	274%	403,293	550,290
Pacific	69%	954,216	2,336,396
Total	123%	2,854,053	5,165,734

Source: 1990 Census and Census 2000 Supplementary

## NEED CONTINUES FOR SECURE AND EFFICIENT ADMISSION SYSTEM



Prior to the events of September 11, 2001, President Bush and national policymakers were in the process of devoting substantial resources toward an overhaul of American immigration policies toward Mexico with an eye to facilitating the flow of workers northward. Policy experts debated both an earned adjustment and an improved temporary worker program.

The war on terrorism has temporarily assigned a less urgent status to the question of American policies toward Mexican immigration, but the underlying labor needs of U.S. industries and employers have not fundamentally changed, and many observers urge renewed attention to Mexican immigration<sup>6</sup>. Within this context, it bears consideration of how efficiently Mexican workers — given their documented demand by U.S. employers — are currently able to enter the U.S..

Most Mexican workers enter the U.S. under several broad categories. On an on-going basis, the great majority enter under the family reunification system, some enter via the employment-based visa system, and still others come as temporary workers. (On a one-time basis, a large number of Mexican workers acquired legal permanent residence in the U.S. through the legalization programs of the Immigration Reform and Control Act of 1986.)

Table 5 compares Mexican and non-Mexican immigrants in 1998 in terms of whether the immigration system permitted their entry on a purely economic basis, i.e., whether they were explicitly expected to fulfill a labor market need in the U.S.<sup>7</sup> As seen in the table, in a recent year, 1998, Mexicans were far less likely than other nationalities to be either admitted to the U.S. on the basis of employment (either permanent or temporary worker categories). Only 29.3 percent of Mexicans admitted to the U.S. had an employment related visa, compared to 45.3 percent of non-Mexicans. Thus, while the vast majority of Mexican American workers are significantly contributing to the U.S. economy, a relatively small proportion are being admitted with this as their primary reason for entry into the country.

This results in two aspects of this system giving the appearance of inefficiency. First, the waiting list for immigrants from Mexico to obtain a family-sponsored immigration visa are ex-

tremely long, and therefore out of sync with both America's desire to quickly reunite separated families, but also with the evolving needs of American employers. (For example, by the time a bricklayer from Mexico obtains an employment-related visa to immigrate, the need for masons may have diminished.) This kind of inefficiency places pressure on the individual to enter illegally.

Table 5

MEXICAN IMMIGRANTS LESS LIKELY TO BE ADMITTED ON EMPLOYMENT BASIS, 1999		
	Non-Mexican Immigrants	Mexican Immigrants
Employment-Related*	45.3%	29.3%
Family-Sponsored Preference and Immediate Relatives of U.S. Citizens	41.2%	68.5%
Other LPR Admissions	13.5%	2.2%
Total	812,714 (100%)	204,901 (100%)

Source: Derived from 1998 Statistical Yearbook of U.S. Immigration and Naturalization Service. "Employment-related" includes legal permanent residents admitted with employment-based preference visas plus nonimmigrants admitted in 1998 as H1A, H1B, H2A and H2B temporary workers.

Secondly, of the employment categories most accessible to Mexican American workers, a high percentage is concentrated in agriculture. Agricultural workers with H2A visas were 43.5 percent of all 1998 Mexican entrants either admitted with employment-based visas in 1999. Given the data presented earlier outlining major industries with Mexican American workers, it seems that current immigration policies may not easily allow workers to have access to non-agricultural positions for which there are a significant number of job openings in the U.S. economy.

Most Mexicans enter  
the U.S. to reunite with  
family members.

## CONCLUSION



Mexican President Fox during an address to a joint session of Congress September 6, 2001. Fox asked Congress to complete the NAFTA trade partnership by granting legal status to Mexicans working in the United States.

The economic importance of Mexican workers will only continue to grow as job openings for unskilled and semi-skilled workers increase. Governmental and private sector leaders concerned about strengthening the productivity of the American workforce should therefore implement steps to maximize the contributions of Mexican workers and minimize any hindrances associated with their admission and integration into the country.

Maximizing the contributions of Mexican workers can take the form of facilitating the ability of American employers to legally hire needed Mexican workers: to help, as President Bush has said "willing employers to get together with willing employees."<sup>8</sup> This can be achieved in part by reducing conditions that force employers to unknowingly hire Mexican workers pressured to enter the U.S. illegally to obtain a job. As described earlier, the current system of admissions to the U.S. disfavors Mexican workers in comparison to other immigrants.

The need to increase the number of visas or methods of entry for Mexican workers is clear. Not only would employers be less hindered in responding to worker shortages, but the dramatic human and social consequences of undocumented immigration would be alleviated. Hardworking, taxpaying Mexican Americans contribute to our nation's economy, and without access to them, employers face a more difficult challenge of meeting their labor needs.

*This paper is authored for the American Immigration Law Foundation by Rob Paral, who is affiliated with the National Center on Poverty Law in Chicago. He may be reached at [robparal@corecomm.net](mailto:robparal@corecomm.net).*

## ENDNOTES

<sup>1</sup> U.S. Senate, Committee on the Judiciary, Statement of Thomas J. Donahue, September 7, 2001.

<sup>2</sup> Bureau of Labor Statistics. "BLS Releases 2000-2010 Employment Projections: Occupations with the Largest Job Growth." *Monthly Labor Review*, November 2001. Available [www.bls.gov/news.release/ecopro.nr0.htm](http://www.bls.gov/news.release/ecopro.nr0.htm). January 23, 2002.

<sup>3</sup> U.S. Census Bureau, "The Foreign-Born Population in the United States." [www.census.gov](http://www.census.gov) January 2001

<sup>4</sup> For discussion of changing locations of Latino populations see Suro, Roberto and Singer, Audrey, July 2002 "Latino Growth in Metropolitan America: Changing Patterns, New Locations" Washington, DC, The Brookings Institution.

<sup>5</sup> These are official Census Bureau regional definitions. For a list of U.S. regional divisions by state, see the online version of this AILF report.

<sup>6</sup> For example, Papademetriou, Demetrios 2002 "An Immigration and National Security Grand Bargain with Mexico." Washington, DC, Migration Policy Institute.

<sup>7</sup> "Employment related" migrants in the table include persons either receiving permanent residence status on the basis of employment skills or receiving an H visa as a temporary worker. Other categories for temporary workers are excluded from consideration, such as artists with P2 visas, to focus on admissions directed not so much at individuals but rather at broader classes of workers. Including all temporary workers in the analysis would make differences between Mexicans and non-Mexicans even greater.

<sup>8</sup> Cited by U.S. Chamber of Commerce in a April 16, 2002 statement on "Strengthening U.S.-Mexico Relations: The Unfinished Agenda" before U.S. Senate Committee on Foreign Relations, Subcommittee on Western Hemisphere, Peace Corps and Narcotics Affairs.

*For a more detailed explanation of the statistical analysis used in this report, please visit AILF's online version at [www.ailf.org/focus](http://www.ailf.org/focus).*

## IMMIGRATION FACTS



AMONG THE STATISTICS INSIDE THIS ISSUE  
OF IMMIGRATION POLICY FOCUS:

Unemployment in the U.S. was 5.9% in June 2002, still well below rates of over 7% in the early 1990s. —Page 5

22 million new jobs will be created by 2010, with 70% of those requiring only on-the-job-training. —Page 5

By 2010, 24.7 million jobs will open up for persons with minimal education levels, representing nearly 43% of all projected openings. —Page 5

Mexicans were 42% of all new immigrants who came to the United States during the 1990s. —Page 6

Mexican immigrants represented 4% of the U.S. workforce in 2000. —Page 6

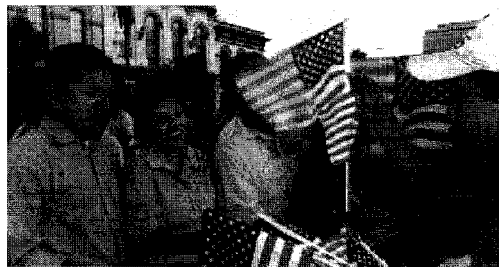
The number of Mexican immigrants in the agriculture field rose from 8.8% in 1990 to 15.3% in 2000. —Page 7

The number of Mexican immigrants in the hotel and restaurant industry rose from 4.2% in 1990 to 9.5% in 2000. —Page 7

85% of all Mexican Americans lived in California, Texas, and Illinois in 1990, but by 2000, that number had dropped to 68%. —Page 8

Only 29.3% of Mexicans are admitted to the U.S. with an employment visa, compared to 45.3% of non-Mexicans. —Page 10





AFP Photo/Lucy Nicholson

A Mexican immigrant street vendor sells U.S. flags in Los Angeles at a memorial procession one week after the September 11 terrorist attacks.

### ABOUT THE FOUNDATION...

The American Immigration Law Foundation is a 501(c) (3) non-profit organization dedicated to increasing the public understanding of immigration law and policy and the value of immigration to American society; to promoting public service and excellence in the practice of immigration law; and to advancing fundamental fairness and due process under the law for immigrants.



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